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**ICEM-CEEM**

Impulse Centre for Environmental Management  
Vlerick Leuven Gent Management School,  
and Centre for Environmental Economics and Management  
Faculty of Economics and Management, University of Gent  
(Gent, Belgium)



**Project for the  
Promotion and the Diffusion  
of the  
EU Eco-Label  
in  
Italy and the Benelux  
Final Report**

*Final Report submitted to the*  
**European Commission**  
**DG XI.E.4**

February 1, 1998

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## Executive Summary

This project was aimed at "*The Promotion and the Diffusion of the EU Eco-Label (EEC Regulation 880/92) in Italy and the Benelux*" by identifying opportunities and defining methods, tools and channels to stimulate the participation in the Scheme by the different actors involved. It was executed between February 1998 and December 1998 by *IEFE (Bocconi University - Milan, Italy)* and by *ICEM-CEEM ('Vlerick Leuven Gent Management School - Gent University' - Gent, Belgium)*.

In order to achieve the objective, the promoters firstly performed an in-depth assessment of the barriers that are hindering the adoption of the EU Eco-Label by companies, in order to address and overcome these in the second phase. The barriers vary according to the features and specificities of the industrial sector, markets, Member States, institutional and social framework in which the company operates.

The main barriers identified proved to be:

- (a) *A lack of information regarding the Scheme (and the opportunities connected with participation in it):* Companies do not know the Eco-Label as such, and they never heard of success stories nor of opportunities in the market place.
- (b) *A perception of the Eco-Label as a weak marketing tool:* Consumers do not know the label, so they do not ask for it. Companies do not apply for an Eco-Label, because they receive no demand for it. Retailers do hardly offer Eco-Labelled goods, because there are hardly any suppliers with Eco-Labelled products. And because retailers do not promote it nor put these products on the shelves, the consumer does not know the Eco-Label. This creates a vicious circle.
- (c) *«Political» opposition to the Eco-Label:* Several federations are blocking the adoption of the Eco-Label in their sector, because they fear it might divide their members in a group of front-runners and a group of laggards. So they prefer to exclude environmental tools from the competitive arena.
- (d) *Difficulties in meeting the criteria because of previous steps in the value chain:* Potential applicants often only execute a few manufacturing steps of the total product value chain. Their production is based on the assembly of semi-manufactured goods and components bought from suppliers. These potential applicants are often SME's with limited bargaining power, and so they have serious difficulties in influencing the environmental characteristics of the production processes of suppliers.

Most of these barriers are due to a problem of communication and co-operation between the actors involved in the promotion and diffusion of the Scheme.

Therefore, the promoters defined a promotion strategy to favour co-operation among the most important actors: companies, consumer, retailers and institutions.

The central actor addressed in this strategy, is the manufacturing company that brings the final product to the market, because this actor is in the best position to adopt the Eco-Label. We also discovered that the adoption of the Eco-Label is a gradual process, with specific steps and thresholds. Companies do not just apply for an Eco-Label and then hope that the Eco-Label will sell by itself. It requires several types of feasibility assessments and an elaborated marketing strategy before the Eco-Label leads to a commercial success «on the shelves». A six-step "**Model for the adoption of the EU Eco-Label**" has been developed.

The project experience shows that only very few companies are able to successfully pass the adoption process relying only on their own resources and expertise. Most of the companies need external support (from public institutions, business partners, retailers, NGO's, the public,...) to go through the 6 steps of the adoption process. Therefore we identified potential supportive actors and moulded the potential and normative support that each of these external actors could deliver. For these actors and their roles in supporting the promotion and diffusion of the Eco-Label, we developed and designed inside the previously mentioned Model an "**Eco-Label Network for External Actors**" as well as an "**Eco-Label Network for Internal Actors**". Both model and concepts have been checked empirically in the second phase of the project. The six steps of the Model are briefly highlighted in the next paragraphs.

During the *first step* (**'Raising the Interest'**) the network should overcome the company's lack of information about the EU scheme and its insufficient business interest in obtaining the label. Key-actors in diffusing information to companies are the Competent Body, different institutions (including Public Administration, universities, local agencies) and trade associations. The business interest can be raised especially by retailers (green competition), Public Administration (public procurement), NGO's (pro-environment political choice), etc.

External motivation by retailers and large customers could convince the company of the opportunity to take the *second step* towards the Eco-Label: a **'Feasibility Study'** to check if both company and product can meet the criteria. The Competent Body, trade associations and research centres can provide the company with specific information on Eco-Label criteria. Accredited laboratories, suppliers, consultants and experts can deliver this technical and technological support.

But even if the adoption of the Eco-Label is technically feasible, the Eco-Label should also be economically sustainable and guarantee advantages and benefits from the competitive point of view. The *third step* consists of a **'Market Opportunity Assessment'** checking for the estimated costs of participation in the Eco-Label Scheme on one side, and for the benefits and market opportunities (commercial and image) for the company and its products, both Eco-Labelled and traditional, on the other side. Retailers and traders can help in evaluating the potential distribution channels and the competitive potentials of the Eco-Label. Market research institutes and consumer associations are able to identify consumer preferences and purchasing trends.

The *fourth step* consists of the **"Decision Making"** by the top management of the company. In this phase the company either goes for it, or decides to wait. The decision to wait has often to do with nearby changes and revisions of criteria, or the commercial strategy of not wanting to be the first mover in a sector.

If the cost-benefit analysis proves positive, the network can support the company in the *fifth step*, passing the **'Application Procedure'**. Key-actors in this technical phase are the Competent Body, the accredited laboratories and, eventually, specialised consultants.

The final but indispensable *sixth step*, once the Eco-Label has been obtained, is to define and implement an effective and successful **'Marketing Strategy'**. The Eco-Label is not very well known to the public yet, so the company needs to market the new ecological features. Especially for SME's this may be a difficult task if the company has to do this alone. Therefore the company can count on external support of the network, like in the conception and realisation of co-marketing initiatives (with other companies, retailers, suppliers), partnerships (with environmental groups and other NGOs) or actions to link the Eco-Label with other main environmental or social events (with the help of institutions and media). These could be win-win strategies for all the actors involved in the network.

Since all the external actors mentioned above are seldom prone to collaborate with each other, there needs to be what we call a **"catalyst"**. The **catalyst** is the actor that brings the actors together in the network, and motivates and stimulates the network activities: favouring contacts among the other actors, facilitating exchange of information, promoting initiatives for co-operation, proposing collective actions, mediating between conflicting interests,... In this project the promoters played the role of the catalyst.

Besides, the promoters executed some network activities themselves (e.g. providing information, raising the interest, ) instead of the external actor foreseen in the model, mainly because the external actor was still nonexistent (e.g. the Belgian Competent Body). By doing so, several companies were able to reach the next step(s) and some of them have already applied for the EU Eco-Label.

We can conclude that the network model seems appropriate and effective to overcome the barriers that are hindering companies to participate in the Scheme.

Although this project is an early indication of success, all efforts to promote and diffuse the Eco-Label will have to be at least maintained, and if possible further developed, in order to gain substantial momentum and critical mass for this product tool. The Models developed in this project need further

and extensive testing, both in the targeted Member States (the Benelux and Italy) and in the other Member States, to check its usefulness and validity and to further elaborate the toolkit all actors involved in the EU Eco-Label Scheme.

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## 1. Introduction

*IEFE* (Institute for Energy and Environmental Economics) of the *Bocconi University* (Milano, Italy), in partnership with *ICEM-CEEM* (*'ICEM'* = 'Impulse Centre for Environmental Management' of the Vlerick Leuven Gent Management School - *'CEEM'* = 'Centre for Environmental Economics and Management' of the University of Gent) (Gent, Belgium), carried out the activities of this project to promote and diffuse the EU Eco-Label in Italy and Benelux (The Netherlands, Belgium and Luxembourg) on behalf of European Commission DGXI.E.4.

As a result of the project, the promoters have defined a general strategy which aims at stimulating and supporting companies to adopt the Eco-Label. The strategy focuses on actors and factors that can motivate a company to apply for participation in the scheme and can provide it with an adequate support in all the different steps the company should take in order to achieve successful results.

This report provides a description of the results achieved by conducting the pilot project, as well as some indications and suggestions regarding the application of networks for the development and adoption of the EU Eco-Label by companies.

### 1.1. Promoters

Promoter and coordinator of this project is the '*Institute for Environment and Energy Economics*' (*IEFE*) of *Bocconi University* in Milan.

Since 1957 (year of foundation), *IEFE* carries out research activities in the fields of Energy and Environmental Economics and Policy.

The researchers involved in this project operate within *IEFE* Environmental Department, which in the past years has gained relevant experience in the field of environmental policy voluntary instruments as well as with respect to environmental management by industry. Particularly relevant in this research field are the activities on the application of the Eco-Management and Audit Scheme (in addition to many EU-funded pilot projects, *IEFE-Bocconi* has been co-ordinator of the DGXI pilot projects on EMAS), the European Eco-Label and Environmental Agreements in Italy and the EU.

Other relevant research activities of *IEFE* Environmental Department encompass studies on "clean" technologies and environmental innovation carried out on behalf of many national and international bodies (with particular reference to the ENVIS project, funded by DGXII and conducted within a network of European universities) and studies on the application of economic instruments in environmental policies (at press time *IEFE* is carrying out a research project on behalf of the European Foundation for the Improvement of Living and Working Conditions on this issue).

A last significant research area for the Environmental Department of *IEFE-Bocconi* is workers health and safety management and its integration with environmental management issues.

The research team of *IEFE* for this project consisted of Prof.dr. Marco Frey, coordinator of the *IEFE* environmental division, Dr. Fabio Iraldo and Prof.dr. Carlo Alberto Pratesi.

The pilot project has been carried out in partnership with the *ICEM-CEEM* of the **Vlerick Leuven Gent Management School - University of Gent**. The *ICEM-CEEM* is a twin centre. *ICEM* is the '*Impulse Centre for Environmental Management*' and is part of the *Vlerick Leuven Gent Management School*. *CEEM* is the '*Centre for Environmental Economics and Management*' and is part of the *Faculty of Economics and Management* of *Gent University*. *ICEM-CEEM* has been, since its foundation in 1993, active in different fields of environmental management. The underlying reason for its foundation was the increasing importance of environmental management as part of the general policy in companies. Environmental management goes much further than the optimisation of environmental-technical investments. It implies adjustments in company organisation, strategy, company culture and

internal and external communication. The strategic dimension of environmental care also implies an integration of different managerial issues (economic, technical, ethical, communicative, ...) in a coherent environmental policy and management system.

The *ICEM-CEEM* has a rich experience in research on environmental management systems, waste and emission prevention, environmental policy instruments and environmental accounting.

On demand the *ICEM-CEEM* also assists private companies with implementing an environmental management system.

The *ICEM-CEEM* maintains intense contacts with a world-wide network of management schools, more specific with schools where similar centres as the *ICEM-CEEM* exist. The *ICEM-CEEM* takes part in the annual conferences of 'The Greening of Industry', is a member of the Group for Integration of Environmental and Economical Policy (OECD) and is a member of Enveco, the group of environmental experts of the European Union concerning the study of the economical instruments of environmental policy.

By doing so, the *ICEM-CEEM* has the opportunity to compare the research results on an international scale.

The Chairman of the *ICEM-CEEM* is Prof.dr. Marc De Clercq, who is also the Chairman of the Department of General Economics and the Dean of the Faculty of Economics and Management of Gent University.

The research team of *ICEM-CEEM* for this project consisted of Prof.dr. Marc De Clercq, lic. Tim Pots and dr.lic.gas. Filip Senesael.

## **1.2. Objectives**

The project aimed at promoting the diffusion of the EU Eco-Label (EC Regulation n.880/82) in Italy and Benelux by identifying opportunities and defining methods, tools and channels to stimulate the participation in the scheme by the different actors involved.

In order to achieve this objective, the promoters firstly performed an in-depth assessment of the past and current developments of the scheme. As we will see, this assessment was a necessary step to point out, examine and evaluate difficulties and drawbacks encountered in the application of the Eco-Label. A result of this assessment was intended to be the identification of weak and strong points of the EU Eco-Label in the target countries. Although the assessment mainly focused on companies, behaviour and strategies of all the other actors involved in the implementation of the EU scheme were investigated.

The promoters both searched for possible solutions to overcome the identified weaknesses and seek relevant opportunities for incentivating the adoption of the Eco-Label. The promoters focused on Italian and Benelux weak and (potential) strong points to design a strategy for a feasible, rapid and effective development of the scheme, according to the country specificities and needs. Key-targets of this strategy were the most important actors involved in the implementation of the EU eco-labelling programme: companies, consumer, retailers and institutions. As we will see, within the project it emerged the opportunity that this strategy strongly relied on the operationalisation of a network approach to stimulate and favour cooperation among these actors.

## 2. Methodology Of The Project

The promoters performed the projects by conducting four kinds of activities, according to the above mentioned objectives. These activities will be described in the following paragraphs.

### 2.1. Assessment of the current situation

In this first phase of the project, the promoters assessed the development of the EU Eco-labelling Scheme in Italy and Benelux. They aimed at drawing a complete and detailed picture of the Eco-Label degree of implementation in the target countries. In order to analyse in depth situation and perspectives of the scheme, the promoters investigated past, present and future (predictable) behaviour and strategies of the actors involved.

#### *a) Consumers*

First of all, the promoters focused on **consumers** and market opportunities for eco-labelled products, by:

- examining the available information related to the diffusion of green products in Italy and Benelux, to evaluate their success in the “final-consumer” markets (with reference to the EU Eco-Label current and future product groups);
- examining surveys conducted on the Italian and the Benelux consumer attitudes and behaviour (with respect to: environmental sensitiveness, potential demand and willingness to pay for green products, product differentiation, perception of eco-quality, shopping preferences, ways to obtain information, trust in official labels, awareness of the EU Eco-Label);
- interviewing some key-actors (consumerist associations, institutional bodies for consumer policy, environmental groups, NGOs) to estimate consumer expectations for eco-labelled products and viable policies to prompt and facilitate “green consumption”.

#### *b) Retailers*

Second of all, the promoters analysed **retailer** attitudes and commercial policies towards green consumer demand and environmental labels by:

- interviewing some key-actors (large retailers, environment-targeted chain-stores, etc... ) to estimate market expectations for eco-labelled products and willingness to support their distribution;
- examining the national retailing sector in order to estimate the potential impact of the EU Eco-Label;
- identifying the most relevant opportunities for developing and diffusing environmental labels through the large distribution channels.

#### *c) Industry*

The promoters thirdly dealt with Italian and Benelux **industry** strategies to respond to the challenge of product environmental quality. This activity consisted of:

- an analysis of some industrial sectors of interest (according to the EU Eco-Label product groups) to identify and measure the relative strength of present competitors as well as of significant potential entrants;
- a qualitative study on some case-histories of successful and failed green market strategies in the above-mentioned sectors, to acknowledge constraints and seek opportunities for the Eco-Label as a future marketing tool (and identify companies potentially interested in developing and Eco-Label-oriented strategy);

- some interviews with businessmen possibly interested in the EU Eco-Label, to understand expectations and uncertainties they faced with respect to the participation in the scheme.

#### *d) Institutional aspects*

The promoters finally investigated the **institutional aspects** of Eco-Label implementation in Italy and Benelux, by conducting:

- some interviews with (and document collection from) the key institutional actors involved (Ministry of the Environment, Environmental Protection Agencies, Competent Bodies, local governments,...), in order to examine the development of the institutional framework for the EU Eco-Label, draw its state of the art and foresee the future perspectives of the scheme in Italy and Benelux;
- an examination of some Member Countries experiences in implementing and promoting the scheme, to identify promotion strategies (incentive tools, financial supports and market-oriented interventions) by the Competent Bodies to diffuse the EU Eco-Label among the enterprises, and possibly transfer them to the Italian and the Benelux situation;
- a preliminary assessment of private eco-labelling programmes in Italy and Benelux (for example in the textile and chemical sectors) with respect to their institutional structure and promotion strategies, searching for suggestions and solutions to be applied in the EU Eco-Label implementation.

This assessment aimed at three main objectives:

- to analyse the current situation in order to identify barriers and difficulties for the development of the scheme and opportunities to promote it within target countries;
- to start diffusing information on the Eco-Label among contacted companies in order to sensitise them;
- to identify companies that could have been interested in developing an action aimed at obtaining the EU Eco-Label (to be eventually involved in the project activities) and other actors involved, capable of supporting the diffusion of the scheme.

## **2.2. Identification of barriers and opportunities for the EU Eco-Label**

At the completion of the first phase, the promoters processed and elaborate the information and suggestions previously collected, in order to perform an evaluation of the current situation in Italy and Benelux and to identify some focal points for developing the Scheme.

First, the barriers to Eco-Label adoption and diffusion in Italy and Benelux represented focal points and were studied in-depth to define a strategy to overcome them. Difficulties and drawbacks met by all the actors analysed at the first stage helped the promoters to understand and clarify all the possible barriers and to plan an efficient and effective promotion strategy for each of the countries involved.

Second, the promoters focused on Eco-Label-related opportunities for the actors involved. As we will see, these opportunities could be referred to:

first-comer competitive advantages, economic benefits, better product management and improvement of the relations with the stakeholders (for participating enterprises and retailers)  
better circulation of environmental information, improved product environmental quality and direct influence on companies green strategies (for consumers)  
transparency, flexibility and agility of environmental and product policies and effective support to environmental-friendly industrial development (for institutions and, particularly, for local governments)

Barriers and opportunities emerging from the assessment conducted in the first phase of the project are described in chapter 4.

### **2.3. Definition of a strategy for the promotion of the scheme**

On the basis of the collected indications and suggestions, the promoters defined a promotion strategy for the Eco-Label. This strategy bases on the identified opportunities to neutralise the different barriers that are hindering Eco-Label diffusion in Italy and Benelux.

As we will see, networking between actors interested in the implementation of the scheme is considered a major tool to promote the diffusion of the Eco-Label in the target countries. The “network model” developed by the promoters during the project to support the adoption of the Eco-Label by interested companies is fully described in chapter 5.

More general policy indications and suggestions on how to implement a promotion strategy based on the network model are provided in chapter 7.

### **2.4. Case studies**

In the second phase the promoters “tested” the promotion strategy on experimental basis by carrying out in-field activities with selected companies and by starting up some networks focused on a specific company or sector.

These experimental activities were conducted by researchers from *IEFE* and *ICEM-CEEM* by means of contacting and visiting the involved companies and providing them all the necessary support to complete the activities requested for the adoption of the EU Eco-Label. In order to support and facilitate the Eco-Label adoption by the companies participating in the pilot project, the promoters activated, favoured and coordinated contacts and relationships between these companies and some external actors, and organised and promoted cooperation initiatives between them. These actors were fully involved in the experimental activities and collaborated with the companies in carrying out the Eco-Label adoption process.

The case-study activities of the second phase are described in chapter 6.



### 3. Activities Of The First Phase

This chapter summarises the results of an assessment of the situation in Italy and Benelux conducted by the promoters in the first phase of the project. The assessment aimed at identifying the most significant barriers and difficulties for the diffusion of the Eco-Label in these countries, as well as the opportunities linked to the participation in the Scheme by companies and other actors. In order to collect data, information and opinions regarding these barriers and opportunities, the promoters carried out a survey of existing data and documentation as well as interviews with many relevant actors involved in the implementation of the EU Eco-Label.

Many suggestions emerged especially from the direct contacts and information collection, which (as we will see) were very useful for the definition of a marketing strategy to promote the Scheme.

In the following paragraphs we will present some of the results of the contacts (meetings, interviews, questionnaire) that the promoters conducted within the first phase of the project. These results are described in different paragraphs that include both indications and suggestions proposed by contact persons and comments by the promoters.

#### 3.1. The situation in Italy and the methodology for selecting companies

In Italy, the preliminary survey was conducted by focusing on the industrial sectors (and product groups) where the knowledge and the interest for the EU Eco-Label was supposedly higher. These are described in the following paragraphs.

In order to identify relevant actors in the implementation of the scheme for the investigated sectors, the promoters started by contacting the **national trade associations**. This enabled the promoters to obtain information regarding the attitudes and behaviours of the sector regarding the opportunities and the barriers connected with the Eco-Label. Although the trade associations were often opposing the EU Eco-Label application in the reference sector (see further on), their representative were able to depict the situation of the whole sector and sometimes gave useful information on potentially interested companies. This effort was not enough to identify companies to involve in the second phase of the project.

The promoters carried out the preliminary investigation also by focusing both on the **largest national producers** in each sector and on **producers with a widely recognised environmental image** (including companies using other labels, conducting joint campaigns with environmental associations and/or certified according to EMAS or ISO 14001), in order to obtain information on their strategies with respect to environmental labelling. Interviews with these companies were useful also to identify smaller competitors that (in the opinion of the interviewees) could have been interested in applying for the EU Eco-Label.

**Institutional actors** were also contacted and interviewed, in order to collect information and suggestions on the development of the scheme. In many cases, these actors (especially the **Competent Body** and the **National Environmental Agency**) were able to signal potentially interested companies.

To summarise, the selection of the companies to be contacted for the preliminary survey and investigation was carried out basing on the following criteria:

companies that were signalled by national trade associations

largest and most important producers of each sector or product group

companies that were signalled by institutional actors as potentially interested, or already interested in the past, to the EU Eco-Label

In paragraph 3.1.1 we report the indications emerging from surveys and interviews aimed at manufacturers (results of the interviews relating to the same industrial sector and country are gathered in the same sub-paragraph). In paragraph 3.1.2 we report indications emerging from the retailing sector and in paragraph 3.1.3 we summarise the investigation carried out with respect to all the other actors

involved in the implementation of the EU Eco-Label (institutions, environmental and consumerist associations,...)

### **3.1.1. Actions towards Italian manufacturers**

In this paragraph we report the results of questionnaires, interviews and meetings with manufacturers operating in different sectors involved in the EU Eco-Label application, as well as representatives of their national federations.

This assessment does not aim at being exhaustive or giving a complete picture of the points of view in each sector, but at identifying strong and weak points, which a promotion strategy could base on. Only few relevant actors were therefore contacted and interviewed by the promoters, in order to collect interesting indications and suggestions.

#### **3.1.1.1. Electric appliances (refrigerators, washing machines and dishwashers)**

##### Situation in the sector

Italy is one of the most important producer of “white” electric appliances world-wide. The Italian market is dominated by large producers (mainly Italian, but also German producers are significantly present) which hold relevant market shares.

##### Actors involved

- *ANIE (the sectorial trade association)*
- *Merloni (the largest producer in Italy)*
- *Zanussi-Electrolux (Italian affiliate of the multinational Electrolux)*
- *Whirlpool (Italian affiliate)*

##### Approach and attitudes towards the EU Eco-Label

The EU Eco-Label is well known amongst the interviewees, who participated in the preparatory work for the environmental criteria and in the following discussion. Some of these actors have been (and are today) also involved in different European Commission working groups relating to environmental issues.

##### *a) ANIE*

The Italian trade association (ANIE) has not supported the definition and adoption of the EU Eco-Label. Within the technical and scientific activity of the European association, Italian representative agreed with many other European producers that the Eco-Label is not the best policy instrument to help enterprises to develop environmental-friendly products.

This opposition is partly due to the environmental criteria that resulted from the definition process. The Italian association does not agree on some of these criteria because, in their opinion, they are not focused on the most relevant environmental aspects of the products. In addition to this, ANIE believes that some of these criteria are not scientifically proven (ODF, GWP) and, since the connected

environmental effects are not directly measurable, the Eco-Label might be considered by some stakeholders (consumers, competitors, environmentalist association) as a “weak” certification. Furthermore, in ANIE’s opinion there is not sufficient co-ordination within the European Commission on the different policy instruments that in this moment are proposed to the enterprises operating in the sector. The reference is to the Energy Label, which was requested in the past as a mandatory measure to the refrigerator producers and, at the time being, has no direct connection with the EU Eco-Label. ANIE is developing the Energy label also for the washing machines (by promoting a voluntary agreement between the Italian producers), but it is not incentivating any of its associates to apply for the Eco-Label.

*b) Merloni*

Merloni, as the largest Italian producer, takes part in the trade association activities regarding environmental policy instruments and shares its point of view on the Eco-Label. According to Merloni representatives, ANIE position is similar to that of all the Italian producers (and of many European producers, at least the German ones). Nevertheless, Merloni admits that there could be the possibility that one or two minor producers decide to adopt the Eco-Label regardless of the position expressed in the political arena by the Italian trade association. But, at the moment, this is not likely because of some barriers that are hindering Eco-Label adoption in Italy.

In addition to the doubts regarding the criteria, Merloni identifies some other barriers that are hindering the development of the Eco-Label.

First of all Merloni is not available to participate in the scheme because it is not sure about its future developments. Merloni (as well as other producers) is worried about the possibility that in the future the environmental criteria will be very much focused on the disposal of the products, so that the producer will sustain all the connected costs. The enterprise believes that in Italy a more sophisticated system should be implemented for the product collection and recycling (by means of consortia involving producers, institutions, retailers and users). Merloni therefore is not prone to take the risk of obtaining the Eco-Label and subsequently be obliged to take care of the product disposal because the criteria would ask for this.

Another barrier is the diffusion of the Energy label, which is better known among the retailers and the consumers. Merloni believes that the consumers today are selecting its purchases on the basis of the energy- and water-saving capacity of the appliances: this is why the enterprise is convinced that the Energy label is a better marketing tool than the Eco-Label. On the other hand, traders and retailers are today already selecting suppliers on an environmental-quality basis by asking the certification of the Energy label. The argument of Merloni is the following: since the Energy label (although mandatory) is attributing grades to the producers on environmental impact basis (from A to G) and it is very diffused on the market, producers today already have a marketing tool for competing in the field of environmental-friendly products. Why should they go for the Eco-Label, which is virtually unknown in Italy?

The challenge should that of making the Eco-Label a more powerful competitive advantage than the Energy label. At present, the limited visibility on the market is the weakest point of the Eco-Label in this sector.

On the other hand, one of the strongest points of the Eco-Label in this sector is that (as Merloni representatives said) “barely all the producers can get the European label for some of their products”. The strategic attitude of Merloni is that of a “good follower”. Merloni is waiting for things to change. Although the enterprise is not supporting the Eco-Label, Merloni representatives are aware that another producer could make the first move and obtain the label. At that point Merloni would immediately follow, because the label would soon become a competitive factor.

There are other reasons that could convince Merloni to get the Eco-Label and use it as a marketing tool: for example a large customer-retailer could ask for it. Merloni is very sensitive to the requests of its retailers and traders: if they ask for the Eco-Label, then Merloni would take it.

Another reason could be the growing awareness of the final consumers about the Eco-Label. For example, if the label starts to spread through other sectors and becomes widely known to consumers, then Merloni is available to reconsider its strategic attitude.

*c) Zanussi-Electrolux*

The promoters had contacts also with Electrolux-Zanussi. This company is very interested in the product ecological aspects. Although its market share is not very large, Zanussi is in fact considered the leader in the field of environmental marketing. This is due to the fact that since the early '90 the company has undertaken a co-operation strategy with the WWF-Italy that brought to the labelling of some appliances with the environmental association's logo (the Panda). The representative of Zanussi declared its interest for the Eco-Label and its position seemed rather different than that of the other producers. For example, Zanussi is aware that the WWF could ask to adopt the Eco-Label, and it seems to be available to respond to this request.

A possible complication could derive from the fact that Electrolux is developing at the corporate level its own labelling system (called ECO-PROFILE) that will be certified according to the standard ISO 14025.

Although Zanussi have widely demonstrated a proactive attitude towards the environmental improvement of products, its representatives have clearly stated that the firm is not ready to pursue the Eco-Label. Although they are interested in the EU scheme, actually, they see the Eco-Label certification as a long-run objective, not immediately achievable for technical, competitive and economic reasons.

From the technical point of view, Zanussi could satisfy the criteria of all the product groups (refrigerators, washing machines and dishwashers) with a considerable effort, implying relevant investment. The company is today doing its best to improve the performance of its products with respect to the criteria of the Energy Label, which it considers a high priority objective. Zanussi considers the Eco-Label as a step forward (beyond the Energy Label) and believes that Italian producers in this sector are today struggling to improve with respect to the latter.

Therefore, from a competitive point of view, there is no need to obtain the Eco-Label today, because the environmental quality of the product can be measured according to the performance established by the Energy Label. In Zanussi's opinion both the retailers and the consumers today are scarcely aware of the Eco-Label, while they are sensitive towards the «grade» given by the Energy Label. The Energy Label is therefore the most powerful competitive factor from the environmental standpoint. Obtaining the Eco-Label today would imply a considerable effort and, at the same time, would not guarantee a competitive surplus.

When asked what would be the reaction to a competitor obtaining the Eco-Label, Zanussi replied that it would do the same thing, but this is a totally unrealistic perspective in Italy today.

From an economic point of view, finally, Zanussi believes that the costs connected with the participation in the Eco-Label scheme are too high if compared to the competitive advantage that it implies for the company.

Because of the negative result of the meeting, the promoters followed a different route to stimulate and incentivate the adoption of the Eco-Label. Following an agreement between the promoters and WWF Italy for the political support to the EU Eco-Label (see next paragraph), the environmental association sent an official letter to Zanussi, stating the opportunity that the company participates in the scheme and asking information about the company strategy towards the EU scheme. This request was made within the cooperation initiatives that WWF is conducting with Zanussi applying the Panda to the company's products.

The effects of this action are not known yet at the completion of the project activities.

*d) Whirlpool*

The promoters should also register a contact with Whirlpool. This company has initially expressed a considerable interest in the Eco-Label and in the project activities during a telephone call between the promoters and the person responsible for marketing. Following this first contact, there was a firm step backwards when Whirlpool, few days later, communicated to the promoters through the local trade association that the company was not interested anymore, neither in the project activities nor in the Eco-Label itself.

## Comments

Due to the negative reactions towards the EU Eco-Label registered within this sector, the promoters decided not to focus on white appliances producers for the following phases of the project. Nevertheless, the promoters have identified some barriers and opportunities for the development of the scheme in this sector in Italy (see next chapter). Some potential driving factors can be anticipated.

The driving factors for the Eco-Label in this sector could be:

- involving the retailers and the traders;
- developing the market visibility of the Eco-Label (sensitisation of consumers);
- involving the environmentalist associations (particularly WWF).

### **3.1.1.2. Detergent producers**

#### Situation in the sector

The Italian sector of detergents is characterised by a plurality of domestic and foreign producers. In particular, Procter and Gamble, Lever (Lever is a part of UNIL-IT, that is a society that includes most part of the UNILEVER Italian activities), Benkiser, Henkel and Colgate (that in Europe realise 80% of the market share) are the most relevant producers in Italy.

#### Actors involved

- *Assocasa (the sectorial trade association)*
- *Deco (an innovative SME)*

#### Approach and attitudes towards the EU Eco-Label

##### *a) Assocasa*

The EU Eco-Label is known by Assocasa, and, during the interview, its representative agreed on the general aims of the scheme, especially as regards the opportunity to create environmental-friendly products and the necessity to inform the consumers.

Nevertheless, the federation has showed his doubts relating to the possibility of success of the scheme.

Assocasa believes that the barriers to the Eco-Label adoption and diffusion in Italy are:

- the delay in implementing the national institutional framework for the Eco-Label;
- the “red tape” that impede the adoption of the scheme;
- the complexity and the expensiveness of the scheme;
- the suspicion that the EU Eco-Label could discriminate some producers and could favour others.

Assocasa doesn't exclude the possibility that the EU Eco-Label takes off and develops in Italy. But, at the present day, the trade association is not supporting the diffusion of the scheme and, together with many Italian producers, is adhering to an initiative carried out by AISE (European Association of Detergents) which is alternative to the Eco-Label. AISE is developing a voluntary agreement at the EC

level focusing on the environmental improvement of the products. The European producers who will commit to a code of good environmental practice (reduction of detergents consumption by the users,...) will obtain a sectorial environmental label.

This project has been submitted to DGIII and DGXI examination and AISE hopes to make an official presentation of it on spring 1998.

In any case, the sectorial label is not an exclusion of the EU Eco-Label in Assocasa opinion, owing to the possibility of having products doubly eco-labelled.

#### *b) DECO*

Not every Italian producers is participating in this voluntary agreement, though. The promoters contacted some small producers who seem to be more Eco-Label-oriented than the large producers operating in the sector. A particular attention was paid to *DECO*, a small producer who is supplying the retailer Coop for its own-brand products (see next chapter).

This company was really interested in obtaining the Eu Eco-Label and had already initiated a self-assessment in order to evaluate the technical and economic feasibility of participation in the Scheme. When the company was informed about the possibility to take part into the project experimental activities, it decided to adhere.

As we will see in the sixth chapter, the availability of Coop to support the Eco-Label has been one of the springs that pushed this producer to participate in the scheme.

#### Comments

The development of the EU Eco-Label in this sector seemed to depend very much on the strategic attitude of a "first mover" that was available to break the competitive equilibrium and the political opposition of all the main producers. Deco was involved in our project to play this role.

In more general terms, other driving factors for the Eco-Label in this sector are:

making the Eco-Label an environmental quality "surplus" with respect to the sectorial label (that will not be a competitive advantage because most producers will obtain it)

strengthening the "ecological purchasing" trends which in this sector are already developed (consumers need to trust a credible label, more than being sensitised on environmental issues)

involving the retailers (particularly Coop could select suppliers for its own-brand ecological products on the basis of the Eco-Label certification)

#### **3.1.1.3. Textile (T-shirts & bed linen)**

##### Situation in the sector

The Italian textile sector is leader in Europe in the production of both T-shirts and bed linen. In addition to few large producers (who operate mainly in the final part of the production chain), a lot of small and very small companies are the backbone of the Italian textile sector. Most of these producers are suppliers for the large ones.

##### Actors contacted

- *Federtessile (the sectorial trade association)*
- *Zucchi (one of the largest producer in Italy and Europe)*
- *Madival (an innovative enterprise very interested in Eco-Labels)*
- *Bailo (a small producer of T-shirts)*

## Approach and attitudes towards the EU Eco-Label

### *a) Federtessile*

Federtessile is strongly supporting the EU Eco-Label since the very beginning of its definition process. The association is persuaded that the Eco-Label is a very useful means for guaranteeing a public award to those enterprises that operate on the "ecological frontier". Furthermore, from Federtessile point of view, the Eco-Label will sooner or later become a relevant quality-factor for every competitor in the textile sector. It all depends on the moment when a producer will make the first move and obtain the Eco-Label: Federtessile is convinced that, from that moment on, the label will spread through the whole sector. The association is supporting with information and technical advice the producers who are interested in the Eco-Label, and it is available to support this project by diffusing information about it, contacting enterprises that are potentially interested in the Eco-Label and participating in the initiatives for the diffusion and publicisation of the project results.

Federtessile identifies a major barrier for the Eco-Label: most producers are not receiving stimuli to adopt it because they have no direct relation with the market. This is due to the fact that few large producers, who are collecting semi-manufactured goods from very small enterprises, are the only companies to have direct contact with the retailers and the final consumers. These actors are very much interested in the Eco-Label today, and so few large companies are prone to obtain it. But, in order to satisfy the criteria, these large companies have to involve all their suppliers, which are the ones who really have to respect these criteria in the manufacturing process. Stimuli have to pass through the supply-chain, and this implies that the few large companies should decide to adopt (and ask their suppliers for) the Eco-Label. This rarely happens.

Federtessile identified two main drives for the development of the scheme in Italy.

The first is the involvement of the retailers. There are experiences abroad that show how a retailer can convince the producers to obtain the Eco-Label. "In this market", said the representative of Federtessile, "retailers are more important than consumers, because they can orient the trends in consumption and they decide which goods should be proposed to a consumer that wants an environmental-friendly product". The second drive should come from public procurement. Purchasing choices made by Public Administration can be a key-factor for the Eco-Label diffusion. In Italy there could be some relevant opportunities in the future to promote the scheme through the purchase of Eco-labelled goods.

### *b) Zucchi*

The promoters contacted both the environmental responsible and the product marketing responsible for Zucchi. These representatives were aware of the Eco-Label and participated in the past in a pilot project for testing the feasibility of the label for some products. At a first contact, Zucchi was rather interested in the Eco-Label and was evaluating the opportunities connected with the development of eco-labelled products. When we described the project for the diffusion of the Eco-Label in Italy, Zucchi representatives showed their interest.

The person responsible for marketing activities, Mr. Franconi, was perfectly aware of the EU Eco-Label as well as of the market and image opportunities linked to the use of the label. Zucchi did not show any interest in the Eco-Label up that moment because they believed that the label, as it is known today in Italy, does not offer any concrete surplus in the market competition. Zucchi has already developed an ecological brand of products, which has been rather successful on the market. These products (for the most part bed linen) were launched at the beginning of the '90s and have increased their market share for two or three subsequent years. Since '94, however, this market share is stable and has lost its potential for growth. The «ecological» line is made up of natural fabrics, not treated with any kind of dyes. Because of the effort that the company has made in the past in developing this product line, Mr. Franconi firmly believes that the «ecological» brand products of Zucchi can satisfy all the environmental criteria foreseen by the EU Eco-Label, with little modifications or technical interventions.

Mr. Franconi declared he was interested in the EU Eco-Label insofar as he could be reasonably sure that this improves the competitiveness of Zucchi's products or the company's environmental image. He was confident that in Italy no other producer is able to emphasize its attention and proactive attitude towards the environment as Zucchi does today.

Zucchi was interested in the different kind of support that the promoters offered by means of the in-field activities of the following phases of the project. First of all he appreciated the possibility of relying on a technical support for the application of the environmental criteria to the production cycle. Then he favourably evaluated the chance of being supported in the procedures for applying to the Scheme (presentation of the application form, verification tests by the laboratory, etc.).

Last but not least, Zucchi was very much interested in the implementation of a joint marketing strategy by creating a network with *Bocconi University*, other companies operating in different industrial sectors, environmental associations and large retailers. In particular, Zucchi was convinced of the opportunity of defining a common marketing strategy with some large retailers operating in Italy (Rinascente Group, Coop).

On these bases, Zucchi decided to participate in the following project activities.

#### *c) Madival*

Madival is a small producer that, when firstly interviewed, declared the intention to adopt the Eco-Label because it was searching for opportunities to raise its environmental competitiveness on the market.

For a description of the company, the reader should refer to paragraph 6.1.2 – case studies.

Thanks to the high level of its production, Madival was ready to experience all the new marketing opportunities that may emphasize the total quality of the products (including their environmental performance).

The company needed to evaluate the technical and economic feasibility of the participation in the scheme, but it was firmly convinced of the opportunity to utilise the Eco-Label as a competitive factor. Madival has in the past already utilised this instrument by adopting the German “Oeko-tex” certification, but the company was dissatisfied with this label owing to its scarce visibility on the market and its limited performance in terms of competitiveness.

Madival representatives believed that the promoters support could be helpful in evaluating how the Eco-Label criteria could be satisfied from the technical point of view.

From the economic point of view, Madival representatives were concerned about the costs implied by the verification procedures by the accredited laboratory, but thought that the fee foreseen by the scheme (500 ECU + 0.15% of the turnover) are sustainable.

Madival was really interested in the promotion and marketing strategy that the promoters intended to focus on in the fourth phase. In particular, the involvement of large retailers and of environmental associations in initiatives for the diffusion of the Eco-Label led Madival to participate in the project experimentation.

#### *d) Bailo*

The promoters contacted Bailo, which is the company that originally produced the T-shirt brand «Think Pink», very diffused in the Italian and European market (today the brand has been acquired by another company, but Bailo continues to produce T-shirts). The promoters conducted a first on-site visit, during which they met Mr. Castagna, environmental responsible for Bailo. Mr. Castagna confirmed Bailo interest in environmental quality of textile products and, in particular, in eco-labelling.

A first qualitative analysis of the environmental criteria carried out by the company showed the feasibility of the adoption of the Eco-Label, the only problem being the requests that the company will have to make to its suppliers.

From the marketing point of view, Bailo was very sensitive towards Eco-Label opportunities and interested in the experimental activities of the fourth phase.



## Comments

The textile sector is one of the most sensitive and interested in the EU Eco-Label in Italy. Companies operating in this sector (also thanks to the support provided by the national federation) seemed ready to exploit the marketing and competitive opportunities connected to participation in the scheme.

The three companies interviewed during this phase were involved in the experimental phase of the project, preparing for the adoption of the EU Eco-Label.

Barriers and driving factors identified with respect to this sector helped the promoters to define a general strategy for the promotion and development of the Eco-Label (see next paragraphs).

In particular, the driving factors linked to the specific situation of the textile sector in Italy are:

- adoption of the Eco-Label by a large producer that operates in the final part of the supply-chain;
- Eco-Label-oriented marketing strategies by the retailers;
- public procurement.

### **3.1.1.4. Light Bulbs**

#### Situation in the sector

There are two large producers that operate in the Italian light bulb sector who hold the most relevant market shares and form a “*de facto*” oligopoly: OSRAM and PHILIPS.

#### Actors involved

- *OSRAM (one of the two largest producers that operates in Italy)*
- *ANIE (the sectorial trade association)*

#### Approach and attitudes towards the EU- Eco-Label

##### *a) ANIE*

ANIE’s approach to EU-Eco-Label is, as we have described in the case of the electric appliances, characterised by the conviction that the EU-Eco-Label is not the best policy instrument to help enterprises to develop environmental-friendly products.

##### *b) OSRAM*

OSRAM attitude towards the environmental aspects of its production is focused on the impacts mostly connected with the product (and much less with the production process). The company is interested in developing environmental friendly products, but it isn’t interested in the EU Eco-Label.

There are some barriers motivating OSRAM scarce interest towards the Eco-Label.

On the one hand, OSRAM believes that Italian consumers identify the environmental aspects of a product only with a low energy consumption, and they never take into account other relevant environmental impacts.

On the other hand, OSRAM is not very interested in the EU Eco-Label because:

at present, only few categories of its products would be able to satisfy the Eco-Label criteria; the two competitors on the light bulb market are not considering it as an effective competitive tool and, therefore, none of them is going to adopt it (and, consequently, they are confident it will never become a competitive factor);

consumers identify the ecological aspects with the energetic efficiency and they are not prone to consider other environmental effects

## Comments

The only opportunity to develop the scheme in this sector would be to “overcome” the oligopoly by incentivating the market demand for the Eco-Label.

This action was beyond the scope of the project and the possibilities of the promoters, therefore this did not represent a focal sector for the experimental in-field activities.

There is the possibility that in the near future some relevant public procurement of light bulbs will focus on the Eco-Label as a crucial selection criterion.

### **3.1.1.5. Indoor paints**

#### Situation in the sector

The Italian paint sector is very fragmented. No producer holds more than 10% of the Italian market, only few producers hold a market share higher than 5% (Max Meyer, Boero).

#### Actors involved

- *Brignola (a producer operating in the “paint industrial area” of Genoa)*
- *Sinco Mec Kolor (a producer operating in the same area, supplier for the Navy)*
- *Baldini Vernici (an innovative producer operating in Tuscany)*
- *Toscana Vernici (a small producer operating in Tuscany)*

#### Approach and attitudes towards the EU Eco-Label

##### *a) Companies of the Genoa district*

The producers operating in this area are traditionally very sensitive and reactive with respect to the environmental aspects of their products and production processes. Many producers (for example Boero) have developed their own “self-certified” environmental labels or have applied for private Eco-Labels. Today “eco-paints” hold a small but significant market share in Italy, and every producer has to offer environmental-friendly products if it wants to meet this part of consumer demand.

Brignola has expressed great interest about the EU Eco-Label because it believes that “eco-paints” market share will increasingly widen in the near future. According to Brignola, there are so many different private labels that no one represents a real competitive advantage anymore. The company was therefore attracted, in the first place, by the credibility that an EU label could have on the market and believed that this kind of label could be the real solution to the overwhelming diffusion of private labels.

Sinco Mec Kolor is another producer operating in the same industrial area. The company was interested in a product environmental certification because it provides the Navy with paint. The Navy is increasingly asking its suppliers to guarantee the ecological characteristics of the product and is starting to select its supplier on this basis. The company believes that the Eco-Label could be a competitive advantage if it can anticipate the future requests of its main (public) customer.

Both the interviewed companies identified in the scarce diffusion of the EU Eco-Label the most relevant barrier for the participation in the scheme. They want to be sure that the label would be adequately known by customers and widely present in the retailing points.

The costs for obtaining the Eco-Label, in their opinion represent another barrier, but both the companies needed to better evaluate the necessary technical and technological effort to satisfy the criteria.

*b) Companies operating in Tuscany*

Another industrial area where the paint production is rather concentrated is the northern part of Tuscany. The promoters contacted some companies in this area, in order to survey their strategic attitude towards the Eco-Label.

A first contact was undertaken with Toscana Vernici, a company signalled by the Italian Competent Body because in the past months had requested information about the scheme. Toscana Vernici has expressed doubts about the real competitive advantage linked to the Eco-Label itself and, before applying for the participation in the scheme, would like to be sure about the connected market opportunities.

The company has pointed out that the environmental criteria do not imply any significant effort by the applicant (they reflect the characteristics of any hydro-paint) and that the costs connected with the scheme are not a major problem. The company is at present evaluating the possibility of adopting the Eco-Label.

There was no availability to participate in the project activities emerging from the contacts with this company.

Baldini Vernici was subsequently contacted by the promoters. This is a very innovative company, operating "on the frontier" with respect to issues like product and process quality, safety and environmental performance. Because of this very proactive approach, Baldini was very interested in the opportunities connected with the adoption of the Eco-Label and decided to participate in one of the experimental activities of the last phase of the project.

## Comments

In this sector a great opportunity could be that of involving producers operating in the same area in a network for the adoption of the Eco-Label, so that the label itself would be obtained by many products. This would both value the possible synergies and increase the visibility of the Eco-Label on the market and guarantee that the customers are aware of this purchasing opportunity.

The promoters made an attempt to activate such a network among the producers of the Genoa district, but this failed because the interest for the certification was still immature in the area. Another network was successfully created in Tuscany surrounding and supporting Baldini Vernici, but no other paint producer was involved in it (see chapters 5 and 6).

Another great opportunity could be that of incentivating the purchase of eco-labelled products by those public bodies (the Navy is just one possibility) that are large customers of paint for industrial use.

Therefore, as a result of the preliminary assessment carried out in the first phase, we may say that the driving factors for the Eco-Label in this sector could be:

networking between a number of innovative producers

public procurement

actions to increase the visibility/credibility of eco-labelled paints on the market (for example by involving the environmental associations)

### **3.1.1.6. Paper products**

#### **Situation in the sector**

The paper production in Italy is mainly concentrated in some industrial areas. The two most relevant areas are Lucca (in Tuscany) and Fabriano (in the Marche region). The largest Italian producers operate in these areas, where a lot of small and medium enterprises are situated too.

#### **Actors involved**

- *Assocarta (The sectorial trade association)*
- *Cartiera Favini (an important producer among the first companies in Italy to obtain the ISO 14001 certification)*
- *Cartiera Lucchese (a company which is ready to apply for the EU Eco-Label for some products)*

#### **Approach and attitudes towards the EU Eco-Label**

##### *a) Assocarta*

Assocarta expressed a very pessimistic opinion on the development of the scheme in Italy. According to Assocarta, which does not believe in the Eco-Label as an instrument to foster product sound environmental management by enterprises, the scheme is going to fail completely in Italy. This is due partly to the environmental criteria that were approved by the EC, and partly because the paper products are not suitable for eco-labelling (insofar as the control of the connected environmental impacts is operationally difficult). No policy or marketing measure, according to Assocarta, would be capable of incentivating the Eco-Label diffusion in the Italian paper industry.

A totally opposite position was expressed by the two companies interviewed during the first phase of the project.

##### *b) Lucart*

This is a company originally contacted by the promoters thanks to a signal coming from the Italian Competent Body. Although this firm has been ready to adopt the Eco-Label for some times it was not able to, because of several hindering factors and operational difficulties. Firstly, the criteria for paper were close to revision. Then, when the criteria were revised, there was a lack of accredited laboratories for the Eco-Label verification. As we will see, during the project activities the company was successful in obtaining the Eco-Label and starting up some promotion and diffusion initiatives.

The promoters met some representatives of the company during the first phase of the project. Although the company did not need any support for the technical activities to adopt the label (all the necessary measures to modify the process and the products according to the Eco-Label criteria had already been studied and undertaken), its representatives expressed great interest in participating in the promotion and marketing initiatives foreseen by the project strategy. A second, and deeper, meeting with the company management has confirmed that Lucart was looking forward to participate in the implementation of the marketing strategy, in coordination with the project promoters. The company was very interested in the opportunity of promoting its eco-labelled products within a network involving retailers, *Bocconi University*, environmental associations and, possibly, public institutions.

The promoters decided to involve this company in the project activities, focusing the experimental activities on the implementation of networking initiatives for the marketing of the eco-labelled products.

*c) Cartiera Favini*

Another company that was contacted in the first phase of the project is Cartiera Favini. Cartiera Favini had already obtained certification according to the ISO 14001 standard. Environmental improvement was therefore a key-factor of its management strategies and so Cartiera Favini paid a great deal of attention also to the development of the Eco-Label.

Mr. Monegato, environmental responsible for the company, since the very first contact was very interested in the support that the promoters were offering within the experimental activities of the project. At the time of the first contacts, Cartiera Favini was preparing the launch on the market of an innovative line of copy-paper, with environmentally sound characteristics. In order to emphasize this value on the market, the company was looking for an interesting marketing tool. This product was addressed to a market niche that was already occupied by strong competitors. These competitors relied on environmental labeling for their marketing strategy (some obtained the Nordic Swan, others the Blau Angel). Mr. Monegato agreed that a European label could represent a considerable surplus with respect to national labels.

From the competitive point of view, the company was also convinced of the benefits that may emerge from environmental certification (also because it was experiencing these benefits with ISO 14001).

Mr. Monegato believed that the experimental in-field activities of the project could represent a useful help for the choice and application of the right marketing strategy and, eventually, for the preparation of all the necessary steps to achieve the EU Eco-Label.

Cartiera Favini therefore decided to participate in the project, in order to receive an adequate support for the adoption of the Eco-Label.

## Comments

In this sector diffusion of information about the Eco-Label and improvement of the consumer awareness seemed to be the two keys for its success. The interviewed companies hoped that public institutions or private associations were going to produce a great effort in diffusing the image of the Eco-Label in order to increase its visibility. According to these companies, there was (and still is) a strong need for public information campaigns both for the consumers and for the large and small retailers. Cross-sectorial marketing strategies for the diffusion of the Eco-Label will be useful, as well as open support by environmental and consumerist associations.

For this sectors, the most important driving factors for the Eco-Label are:

- diffusion of information to the consumers;
- explicit support from the environmentalist associations;
- involvement of large and small retailers in order to emphasise the role of the Eco-Label in the marketing strategies.

### **3.1.2. Actions towards Italian retailers**

#### Actors involved

- *Coop*
- *Rinascente group*
- *Esselunga*

#### Approach and attitudes towards the EU Eco-Label

##### *a) Coop*

In the past years, Coop has defined and strengthened its strategies for the environmental improvement of the supplied product. Being an association among consumers, Coop pays particular attention to the all the issues relating to the safeguarding of consumer rights, including the supply of environmentally sound goods. Especially as regards the agro-food products, Coop has implemented many information initiatives aiming at communicating to the consumers the environmental quality of some product lines. Coop is already selling products with private and national environmental labels (for example the German Blau Angel or the Nordic Swan), but has never specifically requested one of these to its suppliers. The retailer has also developed its own brands and labels reflecting the biological or environmental better performance of the products. In its point of sales Coop devotes specific areas (the so-called “oasis”) to environmental friendly products.

On the basis of this information, a preliminary contact has been established with the Coop “environmental innovation” responsible, who is aware of the EU Eco-Label and agrees on the opportunity of utilising this kind of policy instruments to raise the consumer awareness and select “proactive” suppliers. This has been an important objective for Coop in the past.

Despite this interest, Coop contact person was critical on some of the institutional characteristics of the scheme (e.g.: some of the criteria are anti-economic and compliance is expensive for the suppliers, the product groups are still too limited in number and scope to allow for a wide-scoped marketing campaign by wholesalers) and sceptical on the effectiveness of the application of the EU Eco-Label in Italy in the present situation.

Coop feels the need of a stronger and more effective sensitisation campaign on the Eco-Label in Italy by the competent bodies (Comitato and ANPA), which should involve the retailers as they are the most important actor in the diffusion of information to consumers and citizens. Coop longs for a better coordination with the European Commission and with national competent bodies aiming at defining a common strategy for the promotion of the Eco-Label.

Coop was eager to support the future activities of the promoters that will head in this direction, and are backing its suppliers that autonomously decide to offer products with the EU Eco-Label on Coops shelves (this is the case of Lucart, see chapter 6).

##### *b) The Rinascente Group*

The promoters contacted the quality and environmental responsible for the Rinascente Group. This large retailer was very interested in the project activities and was available to support the distribution and marketing of Eco-labelled products. Rinascente is today searching for opportunities to improve its environmental performance and management by implementing proactive strategies. The retailer hopes to gain more visibility and credibility on the market and to strengthen its image of environment-sensitive company in the near future.

The environmental and quality responsible has asked for support in defining a methodology to select the suppliers on the base of environmental criteria. The EU Eco-Label will be used by the Rinascente as a useful reference within this methodology. First of all, the Eco-Label criteria will be considered in order to facilitate the identification of sound products. Secondly, the company will evaluate the possibility of gradually requesting the adoption of the Eco-Label by the products to be sold in the point of sales.

These activities will hopefully produce in the future a «vendor list» that Rinascente will employ for supplier selection as well as for communication to its stakeholders regarding environmental management issues.

The Rinascente Group was available for a co-operation with the promoters in the project activities in the definition and implementation of a marketing strategy for the eco-labelled products. In particular, the retailer intends to dedicate specific room in the points of sales to the products that obtain the Eco-Label. The promoters have discussed with the environmental and quality responsible the possibility of creating some Eco-Label «oasis» in the points of sales, where products manufactured in different sectors could be exposed together.

Initiatives entailing a tighter cooperation between Rinascente and suppliers that adopt the EU Eco-Label can be foreseen for the future development of the scheme in Italy.

### *c) Esselunga*

The promoters have also contacted Esselunga, one of the largest and most diffused retailer in Italy. During these contacts, different persons responsible for environmental strategies demonstrated interest for the EU Eco-Label and were sensitised on the opportunity of coordinating their activities with the suppliers that were more interested in participating in the EU Scheme. The result of this sensitisation activity by the promoters, as we will see in chapter 6, was a cooperation with Lucart (the first Italian company to adopt the Eco-Label) for the supply of products that could obtain the Eco-Label to be sold with an Esselunga own brand.

## **3.1.3. Actions towards other Actors in Italy**

### **3.1.3.1. COMPETENT BODIES**

#### Actors involved

- *Comitato Eco-Label e Ecoaudit (Competent Body)*
- *ANPA (Environmental Protection Agency, technical support for the Competent Body as concerns EMAS and Eco-Label implementation)*

#### Approach and attitudes towards the EU Eco-Label

##### *a) The Comitato Eco-Label e Ecoaudit (Competent Body)*

The Competent Body in Italy has been only recently created. This is the reason why not many initiatives have been undertaken for the diffusion and promotion of the Eco-Label in the country. The most important initiatives have been:

the participation by the Competent Body members in workshops and public seminars for the diffusion of the scheme (organised by research institutions or private associations);

the publication of an Information Manual for the interested enterprises: this Manual includes all the necessary instructions for applying to the scheme and the specifications of the environmental criteria for each Eco-Label product group.

After the presentation of this project, the Competent Body confirmed its willingness and availability to cooperate with the promoters in carrying out activities for the promotion of the EU Eco-Label in Italy. The promoters proposed to the Competent Body guaranteed a crucial support to the promoters and the companies involved in the promotion strategy experimented in the second phase of the project.

As we will see in the following chapters, the relations between the promoters and the Italian Competent Body intensified as the project entered the operational stage. In order to support the companies participating in the project at the technical and practical level, the promoters increasingly relied on the great availability and useful assistance of persons operating within the Competent Body and the ANPA (see point b).

*b) ANPA*

ANPA carried out many activities relating to the environmental product policy. The Agency recently presented a document regarding “Environmental-friendly products and Public Administration”. Within this document ANPA emphasises the opportunity of public procurement initiatives aimed at selecting environmental-friendly products. ANPA confirmed its commitment to incentivate “green procurement” by public institutions in Italy, also by means of a selection based on the EU Eco-Label. Today 15-30% of the total consumption is made by public institutions: this can explain the importance of public procurement in stimulating green products purchase. This project was presented to ANPA who expressed its favour for this action and declared its availability to support the promoters in carrying out the research and promotion activities.

This is what continuously happened in the second phase of the project (see chapter 6).

**3.1.3.2. ENVIRONMENTAL ASSOCIATIONS****Actors involved**

- *WWF Italia*
- *Legambiente*

**Approach and attitudes towards the EU Eco-Label***a) WWF Italia*

WWF expressed its full and unconditioned favour to the promotion of the Eco-Label in Italy and confirmed its availability to support the activities of this project. This support was defined by the promoters together with representatives of the WWF Committee and focused on the synergies that can be found with the initiatives that the associations is carrying out with many companies. Within these initiatives the promoters proposed, for example, that the WWF Italia sensitised companies already adopting the association logo (the “panda”, famous all over Italy) on the possible application for the EU Eco-Label.

In the second phase, WWF Italy has concretised its support to the project and to the Eco-Label by cooperating with the promoters in initiatives to diffuse the awareness about the EU scheme among associate enterprises. WWF has contacted companies that have obtained the «PANDA» in order to reckon their opinion about the Eco-Label. This first survey will be followed by stronger political signs of the importance that the Eco-Label is gaining in WWF strategy. As a first step, WWF is preparing an official letter to be send to all associate companies for stimulating and prompting the adoption of the Eco-Label. In this letter, WWF will formally state its position in favour of the Eco-Label and the request to companies to show and prove their eventual interest in the scheme.

Moreover, following a contact between the promoters and WWF Belgium, WWF International has contacted WWF Italy asking details on what WWF was and is doing in Italy to support the Eco-Label. WWF International was very interested in the possibilities of supporting the EU scheme, insofar as it believes in the relevance of this environmental policy instruments. WWF International is evaluating what could be done at a global level by the Group to support the diffusion and development of the Eco-Label.

*b) Legambiente*

Legambiente is a very “active” and diffused environmental association in Italy. It is present in almost all environmental field through anti-pollution campaign, sensitisation initiatives and concrete activities for limiting environmental problems. Its research centre (Istituto Ambiente Italia) operated in the past in the field of product Life-Cycle Analysis, also applied to ecological labelling.



Legambiente favours the diffusion of credible and scientifically-based Eco-Labels in Italy (including the EU Eco-Label). Their point of view regarding the scarce diffusion of the scheme is that this is due, in the first place, to the lack of information and of promotion initiatives to prepare consumers and train enterprises to the utilisation of the Eco-Label. This lack of information led to a lack of knowledge and ability to manage the Eco-Label by companies and capability to recognise it by consumers. Producers are not applying for the Eco-Label because both retailers and consumers are not demanding labelled products. Consumers do not demand the Eco-Label because they do not see it on the shelves. This is a sort of “vicious circle” (see the following chapter). The only chance to turn the “vicious circle” in a “virtuous circle” is to guarantee an adequate information to consumers and retailers.

Legambiente confirmed its support to the project activities. The promoters cooperated with representatives of Lega ambiente to identify ways to operationally contribute to the diffusion and development of the Eco-Label.

As we will see in chapter 6, this cooperation mainly focused on an important public initiative called ECOMODA, which involved many companies and other relevant actors operating in the textile sector.

## **3.2. The situation in the Benelux and the methodology for selecting companies**

### **Methodology for selecting Dutch companies**

In the Netherlands we concentrated on 7 product groups: textile, paints and varnishes, paper (copy paper and tissue paper), and household appliances (washing machines, dishwashers and refrigerators).

#### **Copy paper & Tissue Paper**

The production of copy paper or tissue paper is done by a chain of companies that belong to different federations (paper producers, paper cutters, paper converters). The problem is that the producer of the rolls of paper cannot apply for a label and the companies that cut the rolls of paper into copy paper or tissue paper (wholesalers of office supplies) cannot influence the meeting of the criteria. It becomes even more difficult when the rolls of paper are imported, which is done by most of the wholesalers. On the other hand, some of them are a local distribution centre of the producing mother company that is located abroad. Anyway, it seemed that we had to find the wholesalers, although the criteria are concentrated on the production.

In the Netherlands there is no specific federation. Converters, wholesalers and producers are grouped into one federation.

The CD-ROMs make no distinction between producers of writing blocks, files or copy paper neither between a paper producer, a wholesaler or an importer, so these databases could not be used for the survey. Therefore, firstly we contacted the front-runners with the Dutch national label for copy paper that sell in different European countries. Secondly, we contacted a few other companies by means of the survey. 10 companies were contacted and 4 of them have replied. 2 companies say they are interested in obtaining the EU Eco-Label but not within the scope of this project.

Regarding the tissue paper we had to find Benelux converters, but the market is dominated by foreign producers / converters. In the Netherlands we found two converters (of which we did not know if they were foreign companies) but one did not answer and the other has moved.

There is a small Dutch producer and converter (Horgers) which has been awarded the Dutch Milieukeur for its toilet paper and its kitchen rolls.

#### **Textile**

We discovered that in the short term the textile product group did not sound promising because the barriers mentioned by the Belgian federation were often related to the criteria. Moreover, next year the product groups ‘t-shirts’ and ‘bed-linen’ will be replaced by the enlarged textile product group. Nevertheless, by means of the survey we looked for (potentially) interested companies. The survey was sent to 65 clothing and knitting manufacturers. The addresses were taken from the FENECON directory. Fenecon is the Dutch Clothing and Knitting Industry Association.

11 companies (17%) reacted. Five of these were interested in obtaining the label, four of them could certainly use our support (see below).

### Paints

A few years ago, Akzo Nobel has informed the Stichting MilieuKeur that they were waiting for a European Eco-Label. But this company has not applied so far.

Therefore, the survey was sent to Akzo Nobel, and also to another 30 Dutch paint producers of which 6 have responded (20%). Only 2 companies were potentially interested in applying for an Eco-Label.

### Household appliances

As there seems to be only one producer of washing machines, refrigerators and dishwashers (Phillips), this did not look a promising product group in the Netherlands. Of course there is the possibility to apply as an importer, but it is far more difficult to influence the production characteristics as an importer instead of a manufacturer. Because the criteria for household appliances are mainly concentrated on the use phase (which is interesting for the consumer) we decided not to ignore these product groups. Therefore we visited the Dutch importer Frenko before contacting Philips or any other importer.

### **Methodology for selecting Belgian and Luxembourg companies**

Due to the fact that the Eco-Label is hardly known in Belgium and Luxembourg, it was not possible to contact some potentially interested companies (manufacturers, wholesalers or retailers) based on the fact that these would have shown some interest in the past. The product groups under study were the same as for the Netherlands.

With the approval of *Bocconi University* and of the European Commission, DG XI.E.4., it was decided to screen several sectors by means of a written survey. For this, firstly we needed to gather addresses, and secondly send a written questionnaire.

### Gathering of addresses

Addresses were gathered for six product groups (tissue paper; copy paper; t-shirts; bed-linen; refrigerators (and electric household appliances); paints and varnishes). For each product group addresses were gathered for three levels of the value chain (manufacturing, wholesale distribution, and retail distribution).

For Belgium, the CD-ROM of the Belgian National Bank was consulted. For Luxembourg, the Yellow Pages were used. Other sources were consulted but did not prove useful.

Belgian addresses originated from a very reliable CD-ROM, compiled by the Belgian National Bank. The addresses were extracted by their NACE-codes (revision 0). These NACE-codes were used as proxies for product groups. A problem with NACE-codes is that they are not always very detailed. This extraction resulted in 9960 companies and addresses. For some 50% of the companies, turnover data were available (4276 companies), spread evenly over the economic sectors under investigation. Because this sample was still far too large, only the Belgian companies appearing in the quartile with the largest turnover (used as a proxy for the most important companies) were contacted. The companies for which the CD-ROM of the Belgian National Bank did not mention the turnover figure, were omitted.

Belgian addresses of large retailers were also obtained from their federation, called "Fedis" (96 addresses for 3 sub-sectors: 'electric appliances'; 'do-it-yourself'; and 'textile').

The Belgian federation of wholesalers of paper products is "Gropaca". Its ten members all received the survey.

Addresses in Luxembourg were found in the Luxembourg 'Yellow Pages'. This resulted in 677 addresses, but this amount is skewed by the 'food retail' sector (186 companies) and the retail of clothes

(302 companies), so these two sub-sectors were only partially sampled. The other sectors were sampled completely. The addresses are classified in “rubrics”, without any indication of turnover nor employment.

### The written questionnaire

A short questionnaire was developed and sent by mail to all the companies at the three levels of the value chain, accompanied by an introductory letter.

The letter explained briefly what an (official) Eco-Label is; what the project is about (including the fact that there are means available for guiding companies through the application procedure); the goal of the questionnaire (awareness of the existence of Eco-Labels; whether companies are interested in selling products with an Eco-Label; whether companies are interested in obtaining a European Eco-Label).

The questionnaire consisted of two pages and could be returned by mail or by fax.

A general problem with Belgian companies is that it is not clear whether they are Dutch-speaking or French-speaking. Some guesses can be made based on the geographical location of the companies. All companies located in the Brussels area were contacted in French; all companies in Flanders in Dutch; and all companies in Wallonia in French. (This has led to some reactions from companies. Some persons were dissatisfied because they were addressed in the “wrong” language.)

Luxembourg companies were all contacted in French (without any negative reactions).

### Result of the survey

The questionnaire was sent to 582 Belgian companies and to 223 companies in Luxembourg. This survey resulted in 52 answers (6,5%), of which 24 companies (3,0%) replied that they were interested in the Eco-Label and that they wanted to be contacted for further support. (There were 21 Belgian companies and 3 Luxembourg companies expressing their interest. 24 Belgian and 4 Luxembourg companies were not interested at all.)

Furthermore, the names of five interested companies in Luxembourg were received from FEDIL (Fédération des Industriels Luxembourgeois), and these were confirmed by the Luxembourg Chamber of Commerce and (to some extent) by the Luxembourg Competent Body. These companies were also contacted, but none of these wanted to be involved in the project.

### Follow-up of the written questionnaire

During the second phase of the project, the 24 companies that were interested in the Eco-Label, were contacted and supported. (see “Chapter 6: Networking actions”)

## **3.2.1. Actions towards Benelux manufacturers**

### **3.2.1.1. Paints and varnishes**

#### Situation in the sector

In September '97 the Stichting Milieukeur has withdrawn the paint product group of the national label. The European criteria were less strict than the Dutch, but the national criteria seemed unacceptable for the manufacturers. No companies had made an application for the Dutch label.

At least one company (Akzo Nobel) indicated that the paint producers were waiting for a European Eco-Label. This proves valid, as the product group ‘indoor paints and varnishes’ is the most popular of all Eco-Label product groups up to now. In the Benelux there was only one a single company that had applied for the EU Eco-Label, called ‘Libert Paints’ (Gent, Belgium), and it was also for this product group.

## Approach and attitudes towards the EU Eco-Label

### *a) VVVF: Vereniging van Verf- en Drukinkfabrikanten (NL)*

The Dutch federation, VVVF, is absolutely not supporting the EU Eco-Label as an instrument to stimulate the paint producers to produce more environment-friendly products.

According to Mr. Winkelaar (technical secretary of VVVF) the applications for paints and varnishes made so far by manufacturers in different European countries, should be seen as experiments to see how the market reacts on Eco-Labelled paints.

It seems that an Eco-Label does not have any influence on the procurement behaviour of the consumer with reference to paints. In the first place he wants a high quality product that is suited for a particular application (indoor, outdoor, ceiling, concrete, wood ...). The consumer would be unwilling to pay more for an environment friendly alternative. According to Mr. Winkelaar, the Eco-Labelled paints are of lower quality, more expensive and only suited for indoor applications that are not too delicate (e.g. ceilings can easily be painted with Eco-Labelled paints, but doors are less suited because there is more contact with the painted surfaces).

The manufacturers consider the environment as a very important factor and for each application they try to reduce the environmental impact to a minimum, but they want to guarantee the quality as well. So, the paints as such are not especially harmful, but rather a wrong application is a cause of concern (e.g. using a paint with turpentine for the painting of a ceiling).

In the opinion of VVVF, the main barriers for application are:

-the label seems to have an opposite effect: the products sell less.

-moreover, the producers want to avoid that the consumers think that no efforts have been done for the environment when it comes to other products of the same brand or firm (but used for other applications).

### *b) Akzo Nobel (NL)*

Akzo Nobel has not responded to the survey. After checking by phone, we were told that the survey was probably sent to the wrong person. They asked us to send another copy to Mr. Koper, the manager for Health, Safety and Environment. This department is part of the European think-tank. But again Akzo Nobel has not responded.

Another channel was contacted to get Akzo Nobel involved. One of the largest clients of Akzo Nobel in Belgium is the do-it-yourself chain "HUBO". Moreover, HUBO is a retailer interested in selling Eco-Labelled paints, lightbulbs and soil improvers. HUBO is even willing to motivate its suppliers to apply for an Eco-Label. Mr. Scheirs (General Director, Hubo) was willing to ask for the official opinion of Akzo Nobel concerning the EU Eco-Label.

Akzo Nobel replied that for do-it-yourself paints (like the indoor paints) marketing decisions are taken locally, at the national level. So it was decided not to sell the EU Eco-Labelled paints in the Benelux. Striking is that the indoor paints which are sold in the Benelux, are identical to the Eco-Labelled paints that are sold in the UK and Scandinavia. The reason why these paints are not labelled in the Benelux is that the use of the label is charged (a use fee expressed as a percentage of the volume of sales of the labelled paints must be paid to the competent bodies). So mentioning the Eco-Label on the packaging sounds only interesting to Akzo Nobel in those countries where the label is known and as a consequence, leads to additional benefits (like bigger sales figures). But the label is not known well enough in the Benelux.

### *c) IVP (Belgian Federation of producers of paints, printer's and varnishes) (B)*

The Belgian federation IVP is, in contrast with the federation in the Netherlands, a strong supporter of the EU Eco-Label. We talked to Mr. Haegeman (Director technical and regulatory matters) who was immediately willing to participate in the project.

*d) Boss Paints (B)*

Boss Paints is an independent SME with 155 employees. It produces building paints and is also a wholesaler in paints and accessories, which are sold mainly to specialised painting companies and to paint retailers. It also operates a private paint retail chain, called 'Colora'. Boss Paints pleads being a front-runner concerning environmental issues. Every adaptation leading to a decrease of environmental impact will be implemented if the quality of the product does not decrease, even if this makes the cost price higher. Thus, quality and environment are the two most important criteria for Boss Paints. The last two years, their research department has acquired a large expertise in the development of water-based paints. They are working hard to develop water-based paints that can guarantee the same quality regardless the application. Until now, they did not succeed. But Boss Paints did develop a water based paint that has similar qualities as solvent-based paints for certain (low-duty) applications (e.g. painting of ceilings). A major problem is that the professional painters (which are the main customers of Boss Paints) cannot easily be convinced to use water-based paints because these are often more difficult to work with or because these paints require different working methods. Nevertheless, Boss Paints thinks about applying for an Eco-Label for one or more of those water-based paints. But they are aware that the application must be supported by a promotion campaign towards professional painters and consumers.

The proposal for application will be submitted internally by Mr. Fernand Vermeulen at the next meeting of Boss' management committee.

*e) Herberts Belgium (B)*

Herberts Belgium is a subsidiary of Herberts (German paint producer), which is/was a daughter of Hoechst. Herberts is for sale at the moment - it will most probably be sold to DuPont Corporation (USA) - so no spectacular initiatives should be expected. The manager who expressed his interest for the Eco-Label, could not be contacted for an appointment, even after prolonged trials to get in touch with him. Then we contacted the German headquarters. It proved that Herberts no longer produces indoor paints. Because the company mainly produces car paints, powder coatings and liquid industrial paints, it is doubtful whether application for the current Eco-Label is possible.

*f) NOF Europe (B)*

NOF Europe is a trader, importer and wholesaler of paints for boats. All these paints are produced in the USA. According to other sources, these type of products would have a comfortable price margin.

The financial and administrative manager was very interested in an Eco-Label for its products. He was disappointed that the criteria were developed for indoor paints and varnishes, because they do not sell products specifically for indoor use.

This manager thinks that technically it would probably be feasible to apply for an Eco-Label. A specific characteristic of boat paints is that they are produced and sold as separate components and they are mixed just before usage. This has consequences on the content of VOC's and on the price of the products. Some paints however, have a lower content in VOC's and are used to paint the interior of boats. Though technically feasible to use these paints for indoor applications in general, it is rarely done in practice, because these paints are too expensive.

The manager asked for the criteria and would study them together with his technical specialists. In case the criteria would sound feasible for boat paints, the company would try out whether one or more manufacturers in the USA would be prepared to support the initiative. In case criteria for outdoor paints and varnishes would be developed, NOF Europe would be interested very much in this product group.

*g) Libert Paints and Co. (B)*

Libert Paints and Co is an SME's and is an example of a niche player in a small market segment; the segment it wants to reach is the environmentally aware consumer. This market is experienced by the

company as very small - because only few people know of the existence of the Eco-Label - but sounds very promising. The company thinks the Eco-Label could become an important issue once consumer awareness has been leveraged by a general promotion campaign.

Price premiums proved impossible for their Eco-Labelled paints. Market penetration in the given conditions proves difficult, but then it is important to mention that Libert Paints did not set up any real marketing campaign to introduce the new product. The promotion for the Eco-Labelled paint by the company was limited to an explanatory flyer in points of sales, and to an adapted product label. There was also a commercial strategy towards the shopkeepers, who received an extra 10% of paint for free for large orders. The strategy did not work until prices were lowered strongly.

Their main customers are specialised paint shops in Belgium, that sell mostly to professional painters and to consumers demanding high quality, rather expensive paints. Professional painters are a conservative target group.

A major boost in sales is expected from PULL strategies, based on awareness raising of consumers and the public in general, but this company is too small to set up a large promotion campaign.

If the sales of the product prove successful, Libert Paints and Co. expects a band-wagon effect, with 4 to 6 competitors applying immediately for similar products.

A sustainable competitive advantage based on technological features is not expected, because the resins are bought from an external supplier and consequently this resin is available to all paint manufacturers in Belgium.

The case is described in detail from a marketing point of view in '*Chapter 6*'.

## Comments

Since Libert Paints, a small Belgian company, has obtained the EU Eco-Label we may conclude that the application costs do not seem to be a major problem for this product group.

The reason why there have been no applications in the Netherlands until now seems to be caused by the strong federation which is not supporting the label in any way. This federation is certainly not promoting the Eco-Label to its members. Although the federation claims that the results of the 'experiments' in other countries are not very positive, it might be possible that in the near future one or more companies will apply in the Netherlands, even if it was just to check how the Dutch market reacts. In this case we expect the first move to come from a company that is not a member of the federation - and thus can operate independently from the federation - which attention is drawn by foreign competitors.

In general, the process could be facilitated if targeted efforts were made to sensitise the market for the EU Eco-Label. This may attract foreign competition or could e.g. persuade Akzo Nobel to apply for an Eco-Label in the Netherlands with its paints being already adapted to the criteria or to sell its Eco-Labelled paints in the Benelux.

The Belgian companies will soon be able to apply, once the Competent Body will be installed. (In theory, these companies could apply in another Member State, but this hindering factor proves an important threshold.) Because the Belgian federation is strongly supporting the label, the chance that one or more companies will actually apply, is much higher than in the Netherlands. On the other hand there is the rather negative example of Libert Paints, that has obtained the label in France before the Belgian market was ready for the Eco-Label. This lack of public awareness could have been compensated to some extent if Libert Paints would have set-up promotional actions themselves. These actions should have been concentrated on their own labelled products and oriented towards the paint consumer. But, Libert did not extensively promote the label nor informed the consumer about the benefits or the meaning of the label. On top of that, the price for the product at launch proved too high. As a consequence, this case was not an immediate commercial success.

Most probably, competitors will understand that the climate became more favourable since the establishment of the Belgian Competent Body. The applicants can now get support for promotional activities. Nevertheless, companies will still have to develop a targeted promotion campaign focused on

their product and on the significance of the label it carries. In addition, it will be important to explain to the consumer that the labelled paints are of premium quality and that they can even be used for delicate and 'heavy duty' applications.

Furthermore, it seems that the Belgian consumers are not willing to pay significantly more for an environment-friendly paint. Especially those consumers buying paints in do-it-yourself chains, can be considered very sensitive to prices.

### **3.2.1.2. Copy paper**

#### Situation in the sector

There is only one single company producing copy paper from paper pulp in the Netherlands, called Berghuizer (Wapenveld). In Belgium there are only two producers of paper rolls: Internails and Ahlström.

The fact that paper production does rarely take place in the Benelux, meant that we had to concentrate our efforts towards wholesalers. These wholesalers import copy paper that is produced in other European countries. They often act as converters as they cut the paper rolls into copy paper.

In the Netherlands, 5 wholesalers have obtained the Dutch label for copy paper. Four of these are selling in several European countries and could therefore be interested in the European Eco-Label. The fifth, Lutkie & Smith is a distributor working exclusively in the Netherlands.

Regarding tissue paper, the market is also dominated by foreign producers / converters. There was found at least one Dutch producer / converter of tissue paper, called Horgers. This company has been awarded the national label for its tissue paper (and is the only one that has the national label). Horgers is an SME with a market share of about 0,01% in the Netherlands. Furthermore, Horgers is not interested at the moment in applying for the EU Eco-Label.

#### Approach and attitudes towards the EU Eco-Label

##### *a) Cobelpa (Belgian federation of copy paper producers)*

The Belgian federation of copy paper companies (mostly wholesalers) is certainly not supporting the EU Eco-Label. Moreover, they are not satisfied with the procedure for the establishment of the criteria. According to Cobelpa, the Commission has not sufficiently taken into account its remarks and suggestions. As a consequence, the criteria are insufficiently adapted to the paper industry.

The producers of copy paper believe more in voluntary agreements and communication about their environmental policy. The Eco-Label could divide the members of the federation in a small group of front-runners and a large group of followers that will never be able to comply with the criteria for the Eco-Label (because these criteria are dynamic, and become tougher over time).

The federation is more in favour of environmental management systems. Because the entry barriers are much lower, there is not a single company excluded from participation. Environmental management systems will result in a continuous improvement of environmental performance of all federation members, so the benefits for the environment will be bigger with this instrument than with Eco-Labels. The companies get courses from the federation in environmental management.

While the Eco-Label is considered being too 'black and white' and giving information about only one product, with the risk of dividing the sector, the voluntary agreements and environmental management systems unify the sector, and result in a gradual improvement of environmental performance. By means of public environmental reports, companies can communicate their environmental efforts to consumers as well. So the federation does not see a need for Eco-Labels.

##### *b) Berghuizer (NL)*

Berghuizer is the single producer of copy paper in the Netherlands. Its main customers are companies and public institutions. Berghuizer has obtained the 'Nordic Swan', which is well known in the

European copy paper industry. The public awareness of the 'Nordic Swan' is high, and all its customers know the logo, so Berghuizer does not perceive a need for the European Eco-Label at the moment.

*c) Steinbeis Temming (NL)*

Steinbeis Temming Papier is a German producer whose copy paper is imported and distributed in the Netherlands by Driesens BV. We had an interview with Mr. Bregman who was not satisfied about the effect of the Dutch national label, although he had motivated Steinbeis Temming in Germany to apply for the Dutch label a few years ago. In his opinion the national label for copy paper is not a big success. Nevertheless, the Stichting Milieukeur does not withdraw the product group in favour of the EU Eco-Label. Being the representative on the Dutch market of an internationally operating company like Steinbeis Temming, he is a supporter of a European label. There are too much (national) labels for copy paper, and that confuses the consumer. But Mr. Bregman did not know that the criteria for copy paper were already adopted by the Commission. He contacted Steinbeis Temming Germany and tried to convince them to apply for a EU Eco-Label. From Mr. Frank Hess we heard that the Commission, which is also a customer of Steinbeis Temming, has done the same. Unfortunately, the German mother company does not see enough opportunities to apply for EU Eco-Label at the moment. It still favours the Blaue Engel, because its criteria are tougher on the content of recycled fibres and because the market position of the Blaue Engel is much stronger than the one of the EU Eco-Label.

*d) Stora (NL)*

Stora is a multinational that specialises in graphic paper products (uncoated and coated paper, fine paper, and newsprint), which account for 60% of sales, as well as timber, pulp, and packaging. Its power plants generate about 5% of Sweden's electricity. Europe accounts for about 90% of sales, and the firm's take-over of Finland's Enso creates Europe's N° 1 company in paper and forestry. Mr. Hahne (Stora The Netherlands) asked us to contact the Swedish mother company. This was done, but we have not received any formal reply until now.

*e) Modo Van Gelder (NL)*

MoDo Van Gelder (Mr. Tjepkema) also recognises the advantages of the EU Eco-Label but he does not believe that the European label will be able to replace the national labels in certain countries, like in Scandinavia. Moreover, in some South-European countries Eco-Labeling will probably not be commercially viable in the short to medium term, because of the strict criteria with reference to the national situation). Nevertheless, he raised the matter in Sweden, where the most important environmental decisions are taken. But MoDo Husum Sweden decided to adopt a wait-and-see approach.

*f) Xerox Limited (NL)*

Xerox is a multinational that makes document systems integrating fax machines, printers, scanners, and copiers, as well as PC's and workstations. Xerox also sells supplies (ink, paper, and toner) and provides document outsourcing services for larger customers. Xerox Limited, formerly Rank Xerox, is the company's European subsidiary with headquarters in Uxbridge (UK). Although it already has the Nordic Swan, the Blue Angel and the Dutch national label on its copy paper, Marketing Manager Mr. Van Gent is convinced that the EU Eco-Label will be a better solution for the company. Xerox was another company with the Dutch national label that had not been informed about the existence of European criteria. We sent Mr. Van Gent a copy of the criteria and an information brochure. Mr. Van Gent promised to take up the issue of applying for the EU Eco-Label internally.

At the presentation of the interim report of this project, the Stichting Milieukeur was informed about the interest of Xerox, which is known by the Stichting as a client for their national label. The Stichting



Milieukeur has let us know that they would keep in contact with Xerox and that they would keep us informed. After a first contact with Mr. Van Gent, the Stichting Milieukeur reported that Mr. Van Gent was insisting on a graduated label because the criteria would be too soft for the recycled paper of Xerox. Products of competitors with bigger environmental impacts would thus be put in the same category as Xerox's, and so the competitive advantage would disappear.

Later contacts between the Stichting Milieukeur and Xerox, proved that Xerox's opinion regarding the EU Eco-Label was still very positive. Xerox was thinking of a Europe-wide launch of EU Eco-Labelled copy paper. Concerning this plan, Xerox asked for a meeting with DG XI.E.4 in order to discuss the possibilities for support by the Commission.

*g) Aurora Production (BE)*

The Chairman of Aurora Production did not know what an Eco-Label means in general, so he expressed his interest by sending back the questionnaire in order to find out more about the EU Eco-Label.

After thorough explanation, he told immediately that the initiative sounded interesting, but that it was '*not useful for his company*'. The company produces mainly speciality papers, and the limited amount of copy paper they sell '*was not under their control*' (which probably means that the company sells copy paper with a trade mark). The chairman was not interested in applying, so no further initiatives were undertaken.

*h) Benecor (BE)*

Benecor's Chairman and CEO expressed his interest by returning the filled-out questionnaire. This interest may not be genuine: His secretary repeatedly told us that the boss was absent and that we should phone back in 3 months time.

*i) EEC (BE)*

EEC produces envelopes and could thus apply for an Eco-Label for 'Converted Paper Products' once the criteria for this product group will be available.

The sector of envelope manufacturers has an important characteristic: Envelopes are mainly produced to order on behalf of wholesalers and (large) retailers. The brands are usually the trademarks of the wholesaler or retailer and the envelopes are manufactured conform with the characteristics defined by the wholesaler or retailer.

EEC would immediately apply for an Eco-Label if one of its customers would want an Eco-Label for its trademark. It will not apply by itself, because of lack of own brand names, but it has a positive attitude towards the Eco-Label.

EEC is well aware of both the criteria (under development) and the scheme for application. EEC continually assesses its production process against the criteria for 'Converted Paper Products'. Because of the market characteristics (dependability on wholesalers), EEC thinks that the Eco-Label may easily become a "must" for the sector.

It was agreed that EEC will be contacted again once the criteria for 'Converted Paper Products' become available.

According to the research team, it will be essential to search for a wholesaler or large retailer with some interest for environmental issues, that will be prepared to request an Eco-Label when passing his order to a manufacturer.

*j) Epacar (BE)*

The General Manager did know about Eco-Labeling in general, but he was not aware of the existence of an EU Eco-Label. It was explained thoroughly what the EU Eco-Label means, what its benefits are, how the scheme works, whether it would fit the products of the company,...

The General Manager expressed further interest and requested a copy of the criteria. He mentioned also that he keeps an eye on all new initiatives in the sector and that he wants to be able to deal with all issues, but that Epacar had no intention to become a frontrunner, and that his company would not apply for an Eco-Label in the short to medium term.

*k) Esselte (BE)*

The manager had expressed his interest by sending back a very promising questionnaire. When contacting him, he seemed to have changed his opinion. He reacted very defensively, explaining that Esselte already has other Eco-Labels; that paper is only a part of the total business (= office equipment); and that he was only interested in an Eco-Label for packaging made of kraft paper with a very specific weight. The criteria for copy paper were sent and it was agreed that the criteria for converted paper products would be sent too. Further initiatives were frozen, because the company's attitude did not sound very promising for this project.

*l) P&T Production (BE); SAPPI (BE)*

Both companies, P&T Production and SAPPI, expressed their interest by means of returning the filled-out questionnaire. Later it proved impossible to get in touch with the manager that had returned it. The situation of these companies is very unclear. Further attempts to contact these companies were halted in the second phase of the project.

*m) PB Papier (BE)*

PB Papier is a wholesaler of paper and paper products. The reaction of PB Papier was quite remarkable. We received a pretty aggressive phone call from a manager, in which the man complained that our questionnaire was misleading; that he knew a lot more about Eco-Labeling than we did; and that there had been no previous consultation with him about this promotional project.

He explained that in general the sector was not against the EU Eco-Label, but that it was a problem of too many labelling schemes in Europe. He does not see a solution in the withdrawal of the national Eco-Labels, because these national labels were developed '*in conformity with local situations and requirements*' and because the national criteria were good for local companies.

The solution proposed by this manager was that all criteria for national Eco-Labels would remain valid, but that the logo of the EU Eco-Label would replace the logo's of the national schemes. As a consequence, there would be differences between criteria of individual schemes, but each set of criteria would be appropriate for specific markets and conditions. This harmonisation of logo's, would make the situation more transparent for both consumers and manufacturers and would boost the success of the EU Eco-Label for paper and paper products.

PB Papier returned the filled-out questionnaire. We tried to contact the firm, without success. We had the impression that PB Papier was not interested in applying for an EU Eco-Label, but wanted to keep in touch in order to find out what was going on in this project and to be able to communicate its remarks on the Eco-Label scheme. Because the last issue was not an element of this project, and because the real potential for application seemed limited, no further actions were undertaken during the second phase of the project.

*n) Pandava (BE)*

Pandava is a wholesaler of paper and paper products which was founded in 1978. The company was a front-runner in the market of recycled paper in Belgium. The product-range (copy, laser, inkjet and printing papers) counts over 350 different types of recycled paper. Some of these brands are distributed exclusively in the Benelux, e.g.: Ocopy, Rosalindt, Conservation, Metaphor, 4 Saisons, Landscape,

Tobacco, Recypapier, Recycarton, Rustica, ... For many of these paper brands, Pandava also markets the envelopes.

Besides paper and paper products, Pandava also developed a whole range of stationery. Eco-Logic is a full range of stationery in recycled paper that was launched in the late 1980's.



Pandava also sells traditional products (not recycled). The reasons for this: If the company had not sold other products in the past, it would not have survived until now, because in the early days there was no big demand for recycled paper; they had to spend a lot of money and efforts to promote recycled products. A second reason is that a lot of business people agree to use recycled paper, but they still use virgin paper as well. For convenience, they want one single supplier that can deliver both recycled and new paper products. For reasons of survival and to be able to promote recycled papers, Pandava needs to offer classical products as well.

Because slogans like "Environment friendly" are often a mere marketing tool, Pandava tried to make this more objective by means of an objective classification scheme. This "ABCD-classification scheme" which was imported in Belgium from the U.K., is based on the sources of recycled paper, and should make it easy to communicate with the green consumer.

The influence of Pandava on most paper producers is not very big. It is a rather small customer of many companies, because it is concentrated on recycled paper. Nevertheless, it is one of the largest customers of a small company like 'Papeterie du Moulin Vieux', which only produces recycled paper. Pandava is their exclusive distributor in the Benelux.

The company is not a member of a federation, so it is not bound by a federation's guidelines and attitudes.

Therefore we contacted this company and talked to Mr. Walter Van Wayenberg. We informed him about the Scheme and its benefits, and we succeeded in raising his interest. (see chapter 6)

Because Pandava offers an assortment of envelopes combined with specific brands of papers, this company may offer a unique opportunity to launch a first application for the product group 'converted paper products'.

#### *o) Horgen Benelux (NL)*

Horgen Benelux is the single company that has obtained the Dutch national label for its tissue paper, named Dacor. This product is made of 100% recycled fibres and is sold exclusively in 'Schuitema' supermarkets. Horgen did not yet offer its toilet paper to any of the large retailers. The company considers Dacor a commercial success. This statement may be appealing to competitors, because this would mean that great opportunities for Eco-Labelled toilet paper are waiting to be tapped, especially for companies using the more flexible European label.

It sounds difficult to generalise the success claims of Horgen, because Dacor seems to have a market share of no more than 0.01% of the Dutch toilet paper market. It is not sure whether large retail chains would be interested in a 100% recycled toilet paper too; at least the procurement manager of Edah (Vendex Food Group) and the environmental manager of Albert Heijn confirmed not to be interested in this specific product. The potential for the Dutch Eco-Label for toilet paper thus sounds limited.

#### *p) Papeteries D. Blanchard (BE)*

The interest for the EU Eco-Label was expressed by one of the employees of Papeteries D. Blanchard, without consent of the directors. The directors showed no interest later on. This company was no longer followed-up during the second phase of the project.

## Comments for the paper product groups

At first sight, there are a few strong barriers that are hindering the development of this product group. Regarding copy paper, the EU Eco-Label loses the battle to the national label in the Netherlands and in Germany. The Nordic Swan became the standard in Scandinavia and is well known in the rest of the Europe.

When it comes to promotional activities, the national competent bodies seem to favour their national label instead of the EU label.

In the Netherlands, switching to the EU Eco-Label seems to be hindered by the fact that new fibres are allowed in paper products, which sounds unacceptable to the consumer organisations and the environmental organisations represented in the Stichting Milieukeur. Due to the tougher criteria of the national label, the credibility of the EU Eco-Label took a knock in the Netherlands. The benefits for producers oriented to the Dutch market are very limited.

Switching to the European Scheme may even reduce the competitive advantage of products with a national label, because more products would be able to meet the criteria.

Similar thoughts are applicable to the tissue paper. Again the national criteria are more strict. At the moment, there is only one company that was awarded the national label. This small company is supported by the NGO's in its fight against the more flexible European Eco-Label. It considers its product very successful. In practise, the product seems to have a market share of only 0,01%. Therefore the Dutch supermarkets are not interested to sell toilet paper with an Eco-Label.

For paper products, a graded Eco-Label or additional information that gives the greenest consumer the possibility to distinguish a 'deep green' product from other green products, could help.

A breakthrough could be expected from a large multinational company, operating throughout Europe and prepared to address the entire European market at once with a single EU Eco-Label, instead of applying for a multitude of national labels targeted at local markets. Because of the strong position of the Nordic Swan, this multinational will most probably not have its headquarters in Scandinavia.

The negative attitude of the cohesive Belgian federation is a barrier in Belgium. On the other hand, the Belgian NGO's support the EU Eco-Label. In Belgium we need to motivate a company that is not bound by the opinions and attitudes of the federation. Pandava, which is not a member of the federation, could perfectly fit in this role.

### **3.2.1.3. Textile**

#### Situation in the sector

The heart of the Benelux textile sector is located in Flanders (Belgium) and consists mainly of family-owned companies which export some 70% of their turnover. The production of raw materials, and the weaving and colouring of the tissues, is rarely done in Europe. Most companies in the Benelux convert tissues into final products. Of course these companies bring the final consumer goods (like T-shirts and bed linen) to the market, but it is often difficult for them to influence the meeting of the criteria for production steps executed in other companies, most often located outside Europe in developing countries.

The criteria for t-shirts and bed-linen were under revision during this project and would be replaced by an enlarged textile product group. As a consequence we could only identify potentially interested companies and give general information about the system. None of these companies could effectively be supported and coached during the second phase of the project, because they all preferred to wait for the new textile product group. Although several companies expressed their interest, it is clear that we could not obtain successes in the short term in this product group.

In the Netherlands, the 'Stichting Milieukeur' has developed criteria for a clothing product group too, but so far not a single company has applied.

## Approach and attitudes towards the EU Eco-Label

### *a) Febeltex (Belgian Federation of textile manufacturers)*

Before the revision of the criteria we talked with Mrs. Smets, who is the spokeswoman for the federation and follows up environmental issues. She is supporting the EU Eco-Label. In the meantime she has also been appointed as a representative of the Belgian industry within the Belgian Competent Body. But she will leave Febeltex for Electrabel soon. (Her successor is an excellent environmental specialist, so Febeltex will most probably support the EU label in the future.)

According to Ms. Smets, T-shirts and bed-linen have little relevance for the Benelux because most of these products are imported as such in Europe and the Benelux. Only the last production steps of the confectionery are executed in Flanders, and even these activities are gradually relocated to low-wage countries. Consequently, the textile companies in the Benelux can only obtain a label by means of chain management.

Indeed, the criteria are rationally based on a cradle-to-grave approach, but the production of raw materials and the first treatments of the intermediate goods take place outside Europe. There is only a very marginal production of cotton and wool within Europe and the first treatments are executed almost exclusively in Asia.

Europe in itself is not a large customer for textile compared with America which therefore can make the conditions. Because many production steps take place in Asia, in most cases an individual European textile converter will not have the power to enforce major changes in production processes of companies with often restricted technological capabilities (developing countries). European companies will most often not push too hard, because their 'green product line' is mostly very small.

Moreover, the further you go back in the value chain, the more other priorities apply, which are not always consistent with the eco-criteria, e.g. sheep are also raised for their meat, and cotton is also cultivated for the oil and the seeds.

So, the power of the European textile industry seems very restricted.

Novotex's 'green cotton' (Denmark) represents only a very small harvest and is especially cultivated and treated in a natural way, so the company can exert control over the first production steps and is not confronted with negative actions at the beginning of the value chain. Because these raw materials account only for a marginal part of the market, it is impossible to generalise this model for the textile industry at the moment.

The distributors are not very keen on Eco-Labelled textile either because the eco-criteria would not always be consistent with the quality criteria. Quality is still decisive for the consumer (note that this is not the case for e.g. washing machines, for which the eco-criteria are related to the use phase and as a consequence are similar to the consumer's criteria). With the current eco-criteria, Mrs. Smets - in contrast to her Italian colleagues - doubts whether the quality of the T-shirts can be guaranteed (e.g. fastness of colours, shrink-resistance). Companies that can most likely sell these products (with a risk of lower quality) are mail-order companies (like '3 Suisses'), because they sell from a distance and the threshold for the customers to complain is bigger.

Although she believes that the specific structure of the textile industry will always hamper the success of the EU Eco-Label for textile, she made two suggestions: the revision of the criteria with less strict rules for chain management, in combination with an enlargement of the product group. It would lower the threshold for application if a company would only have to manage the production steps under its control and it would avoid that the limited number of Eco-Labelled products would lose visibility in the vast amounts of textile offered on the market.

As we know, these suggestions are addressed in the revision of the criteria.

### *b) Lybeert socks (NL)*

Lybeert BV produces high quality socks and sport socks for men, women, and children. In the survey Mr. Lybeert answered that he was interested in obtaining a European Eco-Label, but indicated that he had never heard of an Eco-Label before. During a site visit the Eco-Label scheme was thoroughly explained, together with the potential market benefits. Because socks are not covered by the current

criteria, the company has to wait for the criteria for the new textile product group. Lybeert socks seems a potential applicant for this new product group.

*c) Gerlon Confection (NL)*

Gerlon manufactures a collection of ladies' knitwear in the medium price range (shirts, trousers, T-shirts, sportswear). Mr. Bisschops was not well informed about the EU Eco-Labeling scheme, but he informed us that C&A is more and more asking for the label, and therefore he was interested in it. (This seemed to be a mistake of Mr. Bisschops, because C&A is mainly supporting the Oeko-tex-label).

Mr. Bisschops preferred to wait for the new textile product group before taking action, because this addresses his entire assortment of products. Nevertheless, the current criteria for T-shirts and bed linen were thoroughly explained in order to create a first impression of what kind of tests will have to be done, etc. We explained the procedure to him and advised him to contact TNO (a Dutch laboratory accredited for tests of textile products) in order to gain more information about the specific tests. Gerlon Confection seems a potential applicant for the new textile product group.

*d) PTT Post Corporate Fashion Services (NL)*

PTT Post Corporate Fashion Services manufactures corporate uniforms. It controls a large part of the value chain, from design to manufacturing and delivery at the final address, including all logistics. Its main customers are companies and public institutions. This market makes it a less appealing company for the moment, because the final consumer is not involved and because procurement managers do not yet pay a lot of attention to environmental issues. Moreover, this company has to wait for the criteria for the textile product group.

*e) Aquanova (BE), Botissu (BE) and Stone Fashion (BE)*

In these 3 companies, it proved impossible to contact the managers who replied to the survey.

Aquanova told us to phone back within a few months; the manager of Botissu was never in or was busy; and the manager of Stone Fashion was so busy that he would contact us when he had more time (without result).

The situation regarding these 3 companies is unclear, but because we were supposed to concentrate on the most promising companies during the second phase, we no longer paid attention to these 3.

*f) Art & Color (BE)*

The General Manager of this textile company showed some interest in the Eco-Label. After having thoroughly explained the Eco-Label, it seemed that there were three barriers for the company. Firstly, this company produces only carpets, and these products are excluded from the textile product group. Secondly, though the company is very interested in environmental issues, there does not seem to exist any demand in the sector for 'green' carpets. This company is an SME that cannot influence the market. Thirdly, the criteria for textile are not available yet, but with respect to the first barrier, this is of limited importance. The manager was disappointed and further initiatives were halted.

*g) Lievens Confectie (BE)*

Lievens' commercial manager showed a great personal interest for environmental issues. The manager was prepared to give the Eco-Label the benefit of the doubt and to try out the label in the market. He expressed some concern that for the moment the element "environment" is completely "out" in the world of fashion, but according to him, this situation could change very quickly for the benefit of the environment. Because the criteria for the textile product group are being developed for the moment, and

because of a temporary big workload within the company, it was agreed that we would contact the company again once the final criteria would become available.

#### *h) Textrading (LU)*

Textrading was contacted several times during the first phase. But it proved impossible to get the manager on the phone. The situation regarding the interest of this company is therefore unclear. During the second phase no further contacts were made.

### Comments

One of the reasons why not a single company has applied for the Dutch national label seems to be the expenses for participation in the scheme coupled with the uncertainty of commercial success.

A second problem is that there are too many labels, both Eco-Labels as well as other labels like 'OEKOTEX'. On the other hand, there is a demand for more uniformity and harmonisation, and for an objective, independent and reliable system.

A third problem is the industry structure with production taking place in Asia and in Eastern-Europe, which has its consequences for the applicability of the criteria. Because the criteria stress on production steps that are not under the control of the final manufacturer, the scheme has to rely on chain management. Therefore the textile sector asks for criteria adapted to the industry structure.

The development of the criteria for the textile product group looks like it is addressing most of these concerns.

The EU Eco-Label is now considered by the manufacturers and the federation to have potentially more impact than the private labels, mainly because of its independence and reliability.

The OEKOTEX label, introduced by C&A, deals with health issues and is tuned very much to the needs of the textile sector. This system certifies every single production step (from the manufacturing of the raw materials and after each treatment till the final product) and is based on a fixed-fee system. OEKOTEX works with accredited laboratories and does not explicitly promote its system. The demand for the OEKOTEX label is created by (large) retailers that want to prevent complaints from consumers about allergies etc. Although the OEKOTEX label is widely spread, only a few consumers are aware of its meaning and existence. A lot of manufacturers consider the Eco-Label as similar to the OEKOTEX label, and do not feel a need for an extra label.

A driving factor for the EU Eco-Label for textile could be created by retailers looking for environment-friendly textile. We already identified several interested retailers and brought them in contact with Novotex and Watrelot (see below).

There is also a reasonable chance that one of the companies expressing interest in the first phase and waiting for the new criteria, will be able to influence the production chain after all and apply for an Eco-Label.

#### **3.2.1.4. Washing machines, dishwashers and refrigerators (household appliances)**

##### Situation in the sector

As there is not a single producer of washing machines, refrigerators or dishwashers for households in the Benelux (Whirlpool, formerly Philips, has no factories in the Benelux), this did not sound a promising product group. In the Benelux, applications can only be made by importers, but this means that the system then has to rely solely on chain management, which is more difficult if a company does not have direct control over the production process. That chain management is a feasible option, is proved by Frenko, which already applied for several household appliances in the past.

Because the criteria for household appliances are mainly concentrated on the use phase (which is interesting for the consumer, because it also saves him money) we decided not to ignore the household appliances. The Eco-Label is linked to the well-known energy-label for these product groups, and in

Belgium and the Netherlands there is a successful refund scheme for energy-efficient appliances. In order to get more Eco-Labelled products on the shelves in the Benelux, we tried to stimulate the Dutch importer Frenko to offer his products on the Belgian market.

### Approach and attitudes towards the EU Eco-Label

#### *a) Vlehan: Vereniging Leveranciers van Huishoudelijke Apparaten in Nederland (NL)*

Vlehan is the Dutch association of suppliers of household appliances and has 28 members. Vlehan is hardly interested because its members are not manufacturers, but retailers. The main producers are located in Italy and, according to Vlehan, it is up to the manufacturer to take an important decision like applying for an Eco-Label.

Besides the Eco-Label, there are already labels for energy, quality, packaging,... These labels proved of little importance compared to the price for the consumer. So if the Eco-Label does not increase the price, then Vlehan wants to support the initiative. A positive point of the EU Eco-Label is that it tries to unify and harmonise the different criteria of the existing Eco-Labels. But the energy label still remains the most interesting one, because the electricity suppliers pay a refund to the consumer when he buys energy-efficient household appliances (type A or B).

#### *b) Frenko (NL)*

Frenko is a Dutch importer of the private label washing machines "Edy" and "Nordland". It sells refrigerators too. During a meeting with the CEO, Mr. Ibsen, in April 1998, we discovered several new opportunities for Frenko with respect to its refrigerators and its access to the Belgian market.

During the second phase of the project we kept in touch with Frenko and kept on motivating the company to apply for an Eco-Label for its refrigerators. In the meanwhile, Frenko has already executed the necessary tests and is now waiting for the results. Probably they will be positive. So Frenko will be able to apply for its refrigerators too.

Labelling will of course imply an additional cost which the consumer is not willing to pay. In the case of the washing machines, a part of the purchasing price of labelled products was refunded by Remu, a regional electricity supplier, but this action ended in April '98. Every regional energy supplier in the Netherlands receives subsidies to set up energy saving programmes to contribute in a positive way to the environment. Remu promoted the energy-labels in the first place, but refunded to consumers a part of the purchasing price of white goods if these had an energy label A or B, and added to that an extra refund in case of a combination of an energy label and an Eco-Label. EnergyNed (the federation of regional energy suppliers) informed us that the energy label is sufficiently known by now, so no further actions are planned to promote these labels, and an action that exclusively promotes the EU Eco-Label deviates too much from the mission of an energy supplier. New programmes deal with the promotion of roof insulation and solar energy.

Frenko would try to cover the additional costs without increasing the price of the product. To compensate for this, Frenko asks for support of the Dutch and Belgian Competent Bodies and the Commission to realise its promotional activities. Frenko will probably submit a promotion plan to the Commission in which it will present the activities planned to promote their labelled products in Belgium, hoping for financial support from the Commission.

In order to make the EU Eco-Label better known in Belgium and in order to take advantage of being the first mover - which could mean extra publicity - Frenko is considering to make double application: for a few models it would apply in the Netherlands and for a few others in Belgium.

We have also contacted several Belgian retail chains for household appliances to check for their interest to introduce labelled appliances on the Belgian market. Some of these sounded interested. In this way, two product groups would be immediately presented to the Belgian market, thus creating a vehicle to which the Belgian Competent Body can link its promotional activities.



Some illustrative examples of promotional activities that have been done in the Netherlands (see chapter 6 for more details):

- festive presentation with press and minister
- refund scheme for appliances with an Eco-Label by Remu
- press releases
- interviews in specialised journals
- in the brochures of retail chains: display of the EU Eco-Label next to the product and additional information about its meaning

These activities were organised by Frenko, with the support of the Stichting Milieukeur.

Concerning the refund scheme in Belgium, this only takes into account the energy-label class A. We are trying to expand this scheme to include the Eco-Label. Electrabel, the main Belgian electricity supplier, reacted in a positive way, and wanted to support a refund scheme as well as promotional activities (like articles on Eco-Labelled products in its magazine 'Energy', that is distributed freely to all Belgian households).

But VIREG (the Flemish administrative body for Rational Use of Energy) could not be convinced to support the initiative so far, and is 'incontournable' for this topic.

Regardless of this, if Frenko would apply for their refrigerators, it would like to see a national campaign for the promotion of the EU Eco-Label in Belgium and in the Netherlands, like it was done earlier for the Dutch national label. The fact that there will only be a few labelled products to promote (refrigerators, washing machines, paints and maybe textile) should not be an argument to cancel this, because companies that did not apply so far, had the same opportunities to do so. And the promotion of the Eco-Label may inspire competitors to apply too.

Furthermore, Frenko thinks the newsletter of the Stichting Milieukeur should aim for a better balance between the national label and the European.

In consultation with the promotor and the Commission, we did not search for other Dutch companies to apply for Eco-Labels for household appliances, in order not to steal a march on Frenko, which was very helpful during the project.

#### *c) Ets. Meurice (BE)*

Ets. Meurice is an importer and wholesaler of white goods, and is closely linked with Merloni (Italy). *Bocconi University* had close contacts with Merloni and was informed of the interest of Ets. Meurice. It looked more efficient to stimulate Merloni in Italy. Therefore initiatives in Belgium were halted temporarily.

#### *d) MTS Benelux (BE)*

MTS Benelux expressed its interest by returning the questionnaire. It proved impossible to make an appointment. It is therefore unclear whether MTS Benelux is really interested. The company was no longer contacted during the second phase of the project.

#### *e) Polti Products Belgium (BE)*

Polti Products Belgium represents Polti Products (Italy) in the Benelux. Polti pledges to be the company with the most environment-friendly washing machine on earth and stresses the environmental features of its products strongly in marketing efforts (together with sponsoring of sportsmen and -women).

The General Manager knew something about the Eco-Label, but she thought that the criteria were not feasible for the products of Polti, because Polti uses a rather revolutionary cleaning concept. All machines work on vapour and steam technology and do not use any detergents.

The criteria were sent to Polti and the General Manager would discuss the issue with the headquarters in Italy. *Bocconi University* has been informed of this company and the internal situation.

*f) SMEG Belgium (BE)*

SMEG Belgium is the exclusive importer and wholesaler of SMEG Italy in Belgium. SMEG produces appliances for built-in kitchens and also standalone refrigerators. The administrative manager was pretty convinced that the issue of the Eco-Label for refrigerators was being discussed at the Italian headquarters during the first phase of this project.

This corporate interest may sound surprising at first, because the SMEG refrigerators are belonging to the worst categories regarding energy efficiency. On the other hand, the treat of being pushed out of the market soon because of poor energy efficiency, may have initiated plans for substantial improvements of its refrigerators. The interest of SMEG Italy has been communicated to *Bocconi University*.

The manager of SMEG Belgium thinks that individual Belgian retailers have no chance of succeeding in their efforts to motivate manufacturers to apply for an Eco-Label. He thinks that a forum presentation is essential to raise the interest of the Belgian importers, wholesalers and retailers.

*g) A. Thilman et Fils (LU) and PROBST (LU)*

'A. Thilman et Fils' and 'Probst' are both (rather small) retailers of electric household appliances. It sounded doubtful whether these retailers would have been capable to motivate a manufacturer to apply for an Eco-Label. In case exporters of appliances with an Eco-Label want to launch their products in Luxembourg, these companies could be contacted again.

## Comments

This product group sounds promising because the criteria are related to the use phase and thus create an extra incentive for the consumer (economic savings because of lower consumption). Like this, appliances with an Eco-Label are appealing not only to green consumers, but to all consumers.

Household appliances sound like an ideal product group to promote the Eco-Label to the consumer. Frenko has perfectly played this out and it turned out to be a success. We may expect another application for its refrigerators. Immediately after the application, Frenko succeeded in engaging different actors and the Stichting Milieukeur has played a facilitating role in promoting both the scheme and the appliances. But afterwards the Stichting Milieukeur remained rather passive, so Frenko had to continue the promotion of the scheme and its products on its own. In short, Frenko felt too little support from other network actors after the initial phase. Therefore, Frenko hopes that the Dutch Competent Body will set up more promotional activities in the future, or that the Commission will directly support companies that develop and implement a promotion strategy in order to explain the significance of the EU Eco-Label to the consumer.

### **3.2.2. Actions towards Benelux retailers**

Interested retailers have been *identified* firstly. The large retailers (some 90 companies) have received an elaborated information brochure targeted at retail activities and their potential role for the EU Eco-Label. They also received a questionnaire, specifically targeted at their product groups.

The information was addressed at the procurement manager, because this is obviously a key figure in buying Eco-Labelled products and in environmental chain management. Environmental managers undoubtedly have more insight in these matters, but their influence on the composition of the assortment is assumed to be limited.

Interested retailers were identified from this questionnaire.

These were contacted for further *coaching and consulting* by 'Vlerick Leuven Gent Management School - Gent University'. A phased approach was used, as for manufacturers. These phases were:

*clarification and explanation of criteria and developments of the scheme:*

These activities are somewhat similar to those for manufacturers. They are meant as an introduction and include some very practical topics, like: explanation of what an Eco-Label is; who can apply for what products; marketing benefits; what the meaning of criteria is; what criteria have been defined for their product group; how the scheme works;...

Special attention is given to their role as chain managers because of their potential to motivate suppliers / manufacturers to apply for an Eco-Label, being large accounts to almost all suppliers.

These retailers also have a major role towards the public, because their enormous consumer base can be a very strong leverage for awareness raising in favour of Eco-Labels and green products.

*clarifications on other operational, technical and bureaucratic aspects of the scheme:*

Once the retailer expresses further interest, further advice and explanations are given. If the retailer is manufacturing some products itself, or if he has 'private labels', it is explained how he can obtain an Eco-Label. Some elements are similar to those for manufacturers, like: the need for gathering information about and test results for their products; the need for an accredited laboratory; the procedure for submitting the application; the systems for the fees;...

The retailer is also asked whether he is interested to undertake two specific types of efforts:

(1) whether he is interested to *motivate manufacturers to apply*. It is asked whether he has a preference for some product group and for some specific manufacturer. Advice is further given about possibilities for *environmental chain management*.

(2) whether he wants to *promote the EU Eco-Label*. The potential for promoting the Eco-Label is discussed, with suggestion of very concise initiatives (like explanatory articles in their magazines, shop floor promotion, etc.).

In case a retailer is interested in a product group, and wants an awarded product on its shelves, 'Vlerick Leuven Gent Management School - Gent University' can bring the manufacturer in contact with the retailer.

All other types of 'ad hoc' information are given as well, in response to questions or information needs.

*search for products with an EU Eco-Label and marketing support:*

If the retailer does not want to undertake the *environmental chain management* himself, 'Vlerick Leuven Gent Management School - Gent University' can contact manufacturers for the wanted product group. This manufacturer can either have awarded products, either be a potential applicant identified by the retailer.

If the retailer wants to set up a marketing campaign, 'Vlerick Leuven Gent Management School - Gent University' offers its expertise for *marketing support*. This is very much an 'ad hoc' approach, tuned to the needs and questions of the retailer.

There was a pronounced difference in attitude between Belgian and Dutch retailers. Belgian retailers were generally spoken attracted by the concept of the EU Eco-Label. The Dutch retailers were rather defensive. Supermarkets in the Netherlands seems to be the unwilling to sell products with Eco-Labels. They seem to have been confronted with a bad experience with the national label.

Retailers that having expressed their interest, are:

*a) Vendex / Kien (NL)*

Vendex / Kien is a textile chain with 95 stores all over the Netherlands. Mr. Van Velsen (Manager) had never heard about the EU Eco-Label. Nevertheless he was interested to sell Eco-Labelled textile products, so we brought Kien in contact with the representative of Novotex in the Netherlands.

*b) Wehkamp (NL)*

Wehkamp is a large mail order company that sells in Belgium and in the Netherlands. Mrs. M. Mossel (Laboratory Manager) did know the EU Eco-Label already but asked us to send her our information packet. She also wanted us to bring her in contact with Novotex.

*c) Maison de Bonneterie (NL)*

Mrs. Gerris did not want to be contacted by Novotex before she had got our information packet. Of Course we send it to her and because she has access to internet, we mailed her the address of the EU Eco-Label site.

*d) C&A (BE, NL)*

C&A purchases its textile products through its German headquarters where Mr. Niers (a Dutchman) is responsible for the purchasing. The procurement department supports the Oekotex-label for a few years. This label was established by a Viennese and a German textile institute and the organisation works together with ten textile institutes in different countries (equivalents of Competent Bodies). These institutes do not promote the label but only test textile for harmful substances in order to reduce or rule out health risks. The demand is formed by the distributors which promote the label to the customers as well. This seems not to be very easy as there is no central support. If the Competent Bodies do not neglect their promotional tasks, it could be a decisive argument for C&A to switch to the EU Eco-Label.

In the meantime, Mr. Niers has moved to the procurement department of C&A in Brussels (named 'EBSCO'). He told us that the general procurement department in Germany is devoting its efforts to the promotion of its OEKOTEX for the moment. Although they think the EU Eco-Label is interesting, they fear that the introduction of the label at this moment would cause confusion among their suppliers. Nevertheless, they still expressed their interest and want to remain informed about the evolutions of the Scheme in the future. Once the suppliers of C&A are acquainted with the OEKOTEX label and its significance, C&A will consider the introduction of the Eco-Label as a complimentary tool.

*e) Makro (NL)*

Makro does not sell European Eco-Labelled products because they are not aware of the existence, but they are willing to do in the future. If it comes to promoting the label, they think this is in the first place

the task of the Stichting Milieukeur. They should make the label popular with consumers and companies. Makro will weigh the pros and cons of applying for one of their own brand products.

*f) Unigro (BE)*

Unigro is a distribution centre for several mail-order companies. The criteria for washing machines, dishwashers and refrigerators were sent to Mrs. Ingrid Vanderhaeghe (Purchasing Manager) as well as the draft version of the new criteria for textile and our information brochure. Because she is willing to add green household appliances to the assortment, we gave her the co-ordinates of Frenko and informed them about this.

*g) Verwimp (BE)*

Verwimp is a small retailer with only one store in Antwerp. Mr. Verwimp (director) does not believe that there is a consumer demand for green household appliances. The consumer is mainly interested in the energy label, which leads to a refunding by Electrabel. Nevertheless, he is willing to sell household appliances with the EU Eco-Label as it also guarantees energy savings. At the same time, he would promote the label by means of retail advertisement.

We have sent him the co-ordinates of Frenko and the criteria of the relevant product groups.

*h) Damart (BE)*

Damart is a textile retailer and a mail order company. They sell T-shirts and bed linen and they have an own brand in these product groups. They think there exists a consumer demand for green bed linen but they are willing to think about adding both eco labelled bed linen and Eco-Labelled t-shirts to their range of products. But they are not sure if it is possible to motivate a producer to meet these demands (the same goes for their own brands). They have a work group on environmental issues which has decided to postpone a possible application to at least next year. Of course we delivered them a draft copy of the possible new criteria and mentioned the address of the website so that they are able to follow the evolution in the textile product group.

*i) GB (BE)*

GB is Belgium's leading distributor and main trade name of the GIB GROUP, with sales of almost 108 thousand million BEF in 1995 with 141 stores and 14,200 employees. Today, GIB group consists of 4 autonomous sectors:

Supermarkets and Hypermarkets: Super GB, Maxi GB, Unic, Nopri, Rob, Globi and Bigg's Continent.

Do-it-yourself: GB-Brico, Auto 5, Obi, Aki, Homebase, Scotty's.

Catering: Quick, Lunch Garden Restaurant, Distrirest.

Specialised Distribution: Club, Fnac, Pearle, Disport, Inno.

GB has drawn up a set of 13 tips that should help their customers to take care of the environment. For instance there is a tip that should motivate the consumer to choose for recycled tissue paper.

To reach the green consumer GB put a two page advertisement in the magazine of the BBL (umbrella organisation of Belgian environmental organisations). Of course GB also informed their customers through their own newsletter, called 'mijn GB-week'. The GB website is not updated yet.



This pictogram is intended as a recognition instrument for the consumer who is looking not only for greener products but also for extra information about the environmental impact of products. It is put on the packaging of own brand products that were improved in some way. The manufacturing of the GB-own brand-products is carried out by other companies, but GB gives the manufacturers strict specifications.

By doing so, GB has for its own products the guarantee that the improvements are really done. Nevertheless, the awarding of this label is again done rather arbitrarily and not done on a scientific basis. The decisions are made by the packaging manager, the brand manager and Mrs. Bruynseels (environmental manager 02/729.18.14) with who we had a talk.

Mrs. Bruynseels cannot say for sure if there is a market for green products. This is certainly the case for biological products, as the results of the brand 'La Vie' prove. Their pictogram is established in the first place to give additional information to the customers. It's difficult to say if the product would sell less without the pictogram.

A few years ago, GB conducted a survey of the information needs of the customers. It was apparent that the customers are flooded with positive product information, in a way that they doubt the correctness and the objectivity of it.

There is indeed a need for harmonisation at European level. The EU Eco-Label could bring the credibility and objectivity that is needed, of course on condition that the label is enough known to the customers. So, introducing the EU Eco-Label in the stores must absolutely be accompanied by an information and sensitisation campaign to the customers. GB is willing to contribute by publishing all the necessary information about the EU Eco-Label in their newsletter, from the moment the EU Eco-Label can be found on several products sold by GB. They started informing their customers a few years ago but this has had little effect because the label did not appear on the products.

The main barrier is of course that GB is a supermarket, concentrated on food. So, only a few of the product groups are relevant for them.

For the GIB group on the other hand, most of the product groups are relevant. But, in contrast with the environmental policy, the purchasing is done separately. Therefore, we contacted GB-Brico as well.

#### *j) GB-Brico (BE)*

GB-Brico is the do-it-yourself chain of the GIB group. They sell soil improvers, light bulbs and of course paints and varnishes. GB-Brico thinks there exists a consumer demand for green soil improvers and paints, so they wish to add those products to their assortment. Sad to say they are currently not willing to promote the EU Eco-Label which is, as proved by the British experiment, absolutely recommended.

GB-Brico has own brand paints, light bulbs and soil improvers. So, it could be interesting to motivate them to apply themselves. But, the problem is that we only talked to Mr. Serwy who is the marketing manager. The addition of new products or the motivating of manufacturers to apply belongs to the competence of the purchasing manager. He only speaks French, a language in which we are not able to convince someone to take important decisions.

Currently GB-Brico sells products with other (national) labels (e.g. paints and varnishes with Blaue Engel) but not for ecological reasons. It's purely through chance.

#### *k) HUBO (BE)*

HUBO is a do-it-yourself chain with outlets in almost every city in Belgium. Considering the product groups of the EU Eco-Label, they sell soil improvers, paints and light bulbs and they sell an own paint brand, made by a third party. The General Director sees several opportunities in the Eco-Label. On the one side, he thinks it is possible for HUBO to ask an adaptation of the composition of their own paint brands and to apply for an Eco-Label. On the other side, HUBO would be able to motivate two of their suppliers (Agrofino that produces soil improvers and Sylvania that produces light bulbs) to apply for an Eco-Label.

A third possibility to sell Eco-Labelled products is to contact the manufacturers of already labelled products. But, we learned from our survey that non of these manufacturers are willing to enter the Belgian market as the EU Eco-Label is insufficiently known by the Belgian consumer. As a consequence, it would result in extra costs but no commercial benefits. The paints they sell in Belgium are exact the same but without an Eco-Label in order to avoid the fee.

One of those companies is Akzo Nobel. Mr. Scheirs (General Director) was willing to ask the official opinion of Akzo Nobel concerning the EU Eco-Label. For do-it-yourself paints (like the indoor paints) marketing decisions are taken locally, in every country. So it was decided not to sell the EU Eco-Labelled paints in the Benelux. The indoor paints that are sold in the Benelux are still identical to the labelled paints that are sold in the UK and Scandinavia. But, the use of the label is charged: a percentage of the volume of sales of the labelled paints must be paid. Of course this is only interesting in those countries where the label is known and so, leads to additional benefits.

So, in the short term HUBO will concentrate on the other two possibilities. Together with the supplier of their own brand paints (a Dutch company), HUBO will examine which efforts will have to be done to comply with the criteria. They will also contact Agrofino (soil improvers) and Sylvania (light bulbs) and try to motivate them to apply for an Eco-Label.

#### *1) Delhaize (BE)*

We visited Mr. Van Der Vliet (Purchasing Manager Belgium). His answers to our preliminary survey were extremely positive. First of all, Delhaize would be willing to add Eco-Labelled products to their assortment, belonging to the following product groups: tissue paper, copy paper, laundry detergents and textile. However, not a single producer of Eco-Labelled products had ever contacted Mr. Van Der Vliet. We explained him the three different possibilities to get Eco-Labelled products on the shelves: motivating a producer, applying for an own brand product and starting to sell already labelled products. Convincing a producer to adapt his product does not seem very difficult to him. Several of the green products they sell, will probably meet the criteria already. However, motivating a producer to apply for the label (or to apply himself) is more difficult. After all, when you ask someone to make additional costs (and to hand over a part of the annual volume of sales) you should be able to guarantee equal benefits. Moreover, most of the Belgian producers pay already enough to take part in Fost Plus (a voluntary agreement). Finally, isn't it a Commission's task to promote the Scheme? Actually producers and retailers succeed in reaching the green consumer by means of several other symbols and labels.

We emphasised that those symbols are subjective and often misleading. Mr. Van Der Vliet agreed that the consumer deserves objective and independent information but the question then still remains if he is willing to pay for it.

On the basis of the results of the British study we explained that retailers can easily influence the level of sales by means of retail advertising. Thus, the retailer should do two things: first convincing a producer (or a manufacturer of an own brand product) to apply and secondly retail advertising for the labelled products (without this it will not be a success).

This immediately is a heavy engagement in a field that is completely new for them. Anyhow, he is convinced that Delhaize cannot pull the system on its own. He wants the guarantee that also the public authorities will do the necessary things to promote the label and that soon more product groups will be established. Otherwise, the promotion campaign will be too limited and hardly relevant for the supermarkets, as food is not included.

We guaranteed him that from next year on, a network of actors will be mobilised and that all the actors will be stimulated to contribute in a specific way to a better promotion and diffusion of the EU Eco-Label. The retailers are one of those key actors that certainly must be part of the network.

Anyway, Mr. Van Der Vliet is now evaluating the different possibilities in which they can contribute to the diffusion of the label.

We offered Mr. Van Der Vliet our self-made brochure, which we updated with the results of the British experiment. Afterwards we reported to Mr. Nuij, who send him the relevant criteria in French.

*m) Colruyt (BE)*

Colruyt started as a Belgian family-owned company that has grown to an important discount retailer (143 stores) in food during the last decades.

Mr. André De Baere (02/360.10.40) told me that Colruyt would be prepared not only to offer EU Eco-Labelled products, but also to include them in their 'Greenline' program.



'Greenline' stands for the commitment of Colruyt to inform their customers about products, services or realisations which contribute in a positive manner to the environment. For this purpose Colruyt created green price labels. These make it easy for the customers to recognise the 'Greenline' products in the Colruyt stores. They also mention why the product has received a green price label. The manufacturer has to inform Colruyt of a substantial improvement made on his product or the packaging with a positive effect on the environment. Thus, Colruyt relies on the honesty of the manufacturers and the awarding is done rather subjective.

From the moment EU Eco-Labelled products would be presented in the stores, Colruyt is willing to send a 'Greenline newsletter' to their customers which would inform them about the EU Eco-Label.

*n) Albert Heijn (NL)*

Albert Heijn does not support the national label nor the European Eco-Label because those products do not fit within their product assortment. Every product is judged on its 4 P's and environmental issues are important but not a priority. Until now, there are too little products with a European Eco-Label that can be sold by the supermarkets, as food is not included.

*o) Edah (NL)*

Edah adds that the few labelled products have never been offered to them by the manufacturers. For instance, Maison Verte is a product of Reckitt & Colman and was on the market in Belgium and Luxembourg, but never in the Netherlands. In the meantime the production has stopped because of too little demand.

Since a few years Edah has got its own brand toilet paper made of 100% recycled fibres. There is no need to apply for a label because the green consumer is reached without an extra cost. Besides, the Dutch retailers will not require any label from their suppliers. The supply must remain as large as possible in order not to lose those customers who are not looking for labelled products. Anyway, the labelled products inevitable will be a little bit more expensive.

The supermarkets want to avoid that the consumer becomes confused. There are already two labels: the national Milieukeur and the Ecokeur (a biological label).

**3.2.3. Actions towards other Actors in the Benelux***a) The Dutch Competent Body ('Stichting Milieukeur')*

We visited the Stichting Milieukeur in Den Haag and talked with Mrs. Ineke Vlot. First of all she told us that since the implementation of the EC Regulation n. 880/82, the job responsibilities of the Stichting Milieukeur were enlarged but without an increase of their budget. Before they were only responsible for the managing of the Dutch national label, for which they are funded by the Ministry of Environment. Their budget is related to the results they obtain with the national label. For this reason they only can follow up the EU Eco-Label evolutions. They do not have the means to develop promotion activities for the EU Eco-Label or to search actively for interested companies. Nevertheless, they report in short about the evolutions of the Scheme in their newsletter, which is mainly focused on the national label.



Another barrier is that the Stichting Milieukeur had developed several product groups for the national label. The criteria could of course be perfectly tuned to the Dutch context. At European level, more compromises have to be made, as more countries / parties are involved. Furthermore, the representatives of the environmental and consumer organisations have a strong influence in the Stichting Milieukeur. Due to this, the national criteria are, in general, more strict than the European ones. Therefore, the Dutch NGO's are not willing to switch to the European Eco-Label and only want to withdraw the national criteria when they would be equal to or weaker than the European ones.

#### *b) The Luxembourg Competent Body*

Mr. Henri Haine of the Luxembourg Competent Body has been contacted several times. In general, Mr. Haine is very willing to support the Eco-Label.

Regarding applications for Eco-Labels in Luxembourg, the institutional aspects have been drawn up. Until now, promotion has been limited to the mailing of a brochure to all Luxembourg manufacturers, but Mr. Haine is prepared to devote a part of the budget of the environment ministry to a new promotion campaign.

He had a few manufacturing companies in mind which might be interested in an Eco-Label, but he was not overoptimistic about the potential success; these companies are aware of the existence of the Eco-Label and they could probably easily apply with their existent products, but for some reason they have not yet applied. (Of course these companies will be contacted, during May 1998. None of them was interested in the Eco-Label at that moment.) Apart from the five companies mentioned by FEDIL and the Chambre of Commerce (see below), Mr. Haine also mentioned a manufacturer of soil improvers.

He is very sceptic when it comes to the influence of the wholesale and retail distribution sectors and their potential role as chain managers. The Luxembourg market is so small and unimportant that it would prove impossible for distributors to exert pressure on (foreign) manufacturers to let these apply for an Eco-Label; manufacturers would simply ignore such demands because their turnover in Luxembourg is not substantial for their economic success.

#### *c) The Belgian Competent Body*

This project was hampered by the delay in the formal appointment of the Belgian Competent Body. The Competent Body did not yet exist at the beginning of the project; it started its activities only at the very end of this project.

At the beginning of the project, we had some informal talks with the future chairman of the Belgian Competent Body, and this revealed a few important elements.

It seems that the industry representatives (VBO, VEV,...) thought that in 1996, the time was not ready for Belgian companies to apply for an Eco-Label. Because of lack of support from these representatives, the efforts to make the Competent Body fully operational were limited.

Nevertheless, in May 1998, a Royal Decree was signed and the Committee might started its activities in October 1998.

The Chairman and the Members of the Committee are not paid for their efforts, except for a small fee for attending meetings. This may limit the enthusiasm of the Members and thus the activities of the Competent Body.

The Competent Body was still in a start-up phase during this project, so the exchange of concepts and ideas was limited.

*d) Environmental Organisations (BE, NL): 'Bond Beter Leefmilieu' (BE), 'Stichting Natuur en Milieu' (NL), 'WWF Belgium' (BE)*

During the first phase, environmental organisations that were following up the Scheme were identified. Both the Belgian and the Dutch umbrella organisation ('Bond Beter Leefmilieu' and 'Stichting Milieu en Natuur' respectively) told us that the environmental organisations could not define their position as they had not enough means to follow-up the developments of the EU Eco-Label.

Although there are representatives of the environmental NGO's within the Stichting Milieukeur, like Mr. Hans Muylerman, it seems that the information is not adequately transferred to these NGO's.

Since the establishing of the Belgian Competent Body, the Bond Beter Leefmilieu has started to inform itself about the Scheme's developments. Therefore we involved them in our activities of the second phase (see chapter six).

WWF Belgium was contacted to find out whether they would support a similar initiative as the promotion strategy of WWF Italy. (WWF Italy allows companies to use the Panda-logo on products, and had the intention to link the use of the Panda with an EU Eco-Label on products.)

This contact brought the discussion to a higher level: WWF International, WWF Europe, WWF Italy and WWF Belgium discussed the matter.

In short, WWF at all levels was largely unaware of the existence and the meaning of Eco-Labels in general, and their knowledge of the EU Eco-Label was almost non-existent.

However, the discussions seemed to catch their attention. We were told by WW Belgium that WWF International will follow-up the developments closely; that WWF will support the Eco-Label without making it a mandatory requirement for the use of the Panda logo on products; that WWF would like to receive all or part of the final report; and that WWF International would visit *Bocconi University* to discuss the matter.

*e) Consumer organisations: 'Consumentenbond' (NL)*

During the first phase of the project we have called Mr. Joop Koopman from the Dutch Consumentenbond. Similar to the environmental NGO's, we got the answer that the consumer NGO's barely succeed in keeping-up with the evolutions of the Dutch national label, which is still the most common label in the Netherlands, and that they did not have the means to follow-up the EU Eco-Label.

*f) FEDIL and the Luxembourg Chamber of Commerce (LU)*

In Luxembourg there is only one industry federation, called FEDIL, and one Chamber of Commerce. Contacts have been made with FEDIL (Mr. René Winkin) and with the Chamber of Commerce (Mr. Tom Theves). This resulted in names of five potentially interested manufacturers (paints and varnishes: 3 manufacturers; detergents, 1 manufacturer; refrigerators: 1 manufacturer). These companies were contacted but none of them was interested to participate in the project nor the apply for an Eco-Label at that moment.

FEDIL has also sent a directory of its members. The addresses could not be extracted, but these were already largely available through the Yellow Pages.

The Chamber of Commerce would actively promote the Eco-Label project among its members. They also sent a directory of wholesale and retail distributors in Luxembourg.

### **3.3. Actions towards Manufacturers from other Member States with an awarded Eco-Label, to get their products on the shelves of Benelux retailers**

At the request of DG XI.E.4. special efforts were undertaken to get more Eco-Labelled products on the shelves of retailers in Belgium. To this end, a dual approach has been developed. On the one hand, the manufacturers and the importer of awarded products were contacted to find out whether they wanted to sell their products on the Benelux market. On the other hand, the retail sector in the Benelux was contacted to find out whether they would be prepared to offer these Eco-Labelled products on their shelves.

#### ***3.3.1. Manufacturers and importers of awarded products***

All 25 manufacturers and the importer with Eco-Labelled products (*status at the end of April 1998*) were contacted to find out whether they were offering their products in the BENELUX already; whether they had the intention to come to the BENELUX with their products; and whether the name of their company and their salesperson could be mentioned to the distribution sector in the BENELUX.

The 25 addresses of the manufacturers and the importer with an Eco-Label were obtained from DG XI.E.4. The questionnaires were sent by fax (on April 16, 1998) to the official contact persons mentioned on the list. The questionnaire was also handed over to Libert Paints & Co (which was not yet mentioned on the list) on April 23, 1998. According to the 'Total Design Method' for surveys of Dillman (1994, 1978), a reminder was sent between May 7 and May 14.

Finally, 15 answers have been received. Most companies do not have the intention to sell in the BENELUX (though a few are a bit more interested in the Netherlands). These companies were contacted to find out why they did not have that intention. In most cases it proved to be a problem of internal organisation or lack of resources. Most companies with Eco-Labelled products are SME's, and most of these do not have a sales department in the BENELUX or for the BENELUX. In general, companies were more interested in launching their products in larger Member States, probably anticipating bigger sales figures. One company mentioned that the criteria and the awards do not last long enough to guarantee a successful introduction of a product in a new market if the marketing is based solely on the Eco-Label. One company immediately asked for wholesale and retail addresses in Belgium, and we provided these addresses swiftly. (It is unknown whether this has led to exports to Belgium.) One company had already tried to market Eco-Labelled products in Belgium, but these products were removed from the market because of limited sales figures.

In the meanwhile, the product groups of kitchen rolls and toilet paper was withdrawn and replaced by the product group of tissue paper. The manufacturers with an award for the withdrawn product groups, 'Dalle Hygiene' and 'Fort Sterling', had at that time not yet applied for a new Eco-Label for tissue paper in April 1998. They did not return the questionnaire.

#### ***3.3.2. The Belgian retail sector***

In a first step, the procurement managers of some 90 large Belgian retailers were contacted, using a mini-questionnaire, introducing the Eco-Label project and asking what product groups were being sold by these distributors. These addresses were obtained from FEDIS, which represents the large retailers in Belgium. All major general distributors are represented in this sample (e.g.: GIB group; Delhaize group; Colruyt group), together with FEDIS' members in the sectors 'electric appliances', 'do-it-yourself' and 'textile'. 36 answers were received.

The second step (May 1998) consisted of an 'informative questionnaire', and was sent again to the attention of these 90 procurement managers. In this, a general information package about the EU Eco-Label was included, explaining the scheme and mentioning contact addresses. It was also explained that

these retailers can either apply for an Eco-Label themselves for their private labels and for imported products, either that they could influence manufacturers / suppliers to apply for an Eco-Label.

By means of a questionnaire, we checked for their interest in selling Eco-Labelled products; in importing and offering products with an awarded Eco-Label; in motivating manufacturers to apply for an Eco-Label for their goods; in applying for an Eco-Label for their 'private labels'; whether they would be prepared to promote the Eco-Labelled product on the shelves and how; whether they would consider having their private labels manufactured according to the Eco-Label criteria; etc.

For the product groups they were selling, we also mentioned the companies and the products with an existing Eco-Label, and asked whether they knew both companies and products, and whether they would consider offering the products on their shelves.

The third step consisted of contacting personally some (key) retailers that replied more or less positively, to find out whether they were actually prepared to sell Eco-Labelled products on their shelves or whether they would apply (or let manufacturers apply) for an Eco-Label. We also delivered 'ad hoc' advice, in function of their requests. These retailers are mentioned under '3.2.2. Actions towards Benelux retailers'.

## 4. Results Of The First Phase

This chapter summarises the results of the activities carried out in the first phase of the project. The survey on the Eco-Label state of the art in the target countries and the contacts with many actors involved in the implementation of the EU scheme produced useful indications and suggestions regarding these actors' attitudes and strategies towards the adoption of the Eco-Label, as well as on the barriers that are curbing the development and the diffusion of the scheme.

### 4.1 What is hindering Eco-Label development?

The preliminary investigation and assessment carried out during the first phase basically confirmed what had already emerged from studies previously conducted within target-countries: the persistence of «controversial» attitudes towards environment-friendly products among consumers and producers.

On the one hand, according to many previous surveys, the large majority of consumers is indeed deeply concerned with ecological issues but notwithstanding, small percentages of them are willing to give up personal preferences or to pay a premium price in order to purchase environment-friendly products. Consumers show a growing interest in environment and in natural products mostly when related to personal health and safety (e.g. health food, homeopathic remedies,...).

On the other hand, in the past companies reacted to these behaviours by developing and stiffening the following consumer-oriented attitudes:

«safe-face» environmental attitudes – some companies in their advertisement campaigns quoted, directly or indirectly, ecological themes or they mention their backing of some of the activities carried on by environmental groups

«naturalistic attitudes» – some companies promoted their products stressing natural qualities (e.g. beauty products with natural ingredients) or products whose ecological properties are related to the «individual», emphasising supposed advantages for the user (e.g. his/her health) rather than the advantages for the environment

eco-marketing attitudes – very few companies carried out environment-oriented marketing strategies, exploiting relevant opportunities such as environmental labels (with the significant exception of the Netherlands, where the use of Eco-Labels is relatively more diffused)

Today, only a small number of enterprises is «courting» those consumers who show a real interest in ecological issues (those willing to pay a premium price for products having a reduced impact on environment) by offering environment-friendly products certified by a third-party label.

Even the companies that are interested in adopting these marketing tools, are hindered by the consumer limited response (as they are acknowledging it on the market).

The examined countries showed a lack of demand (or perceived demand) for eco-labelled products together with the scarce proneness of industrial companies to undertake proactive «green marketing» strategies based on the supply of eco-labelled products.

Although these dynamics, once again, were less evident for the Netherlands, we can say that in all target-countries, the virtuous circle «demand-supply-demand» of green products, which is crucial for the development of eco-labelling, is yet to be created (Italy, Belgium, Luxembourg) or consolidated (the Netherlands).

In these situations, the EU Eco-Label can be a great opportunity for companies that are ready to challenge the market and seek competitive advantages by innovating their marketing strategies. There is no doubt that the adoption of an Eco-Label-based marketing strategy in these countries is today a risk-prone operation implying the experimentation of new tools and channels to target and reach consumers, which are not yet mature and sensitive under the «ecological» point of view. Nonetheless, there are companies that are willing to take the risk.

The assessment performed within the scope of our project, proves that these «proactive» companies are still few, and have to tackle relevant difficulties and drawbacks. Most companies whose products are eligible for the EU Eco-Label, in fact, are very «cautious» about adoption.

Indications and suggestions emerging from the preliminary assessment of the situation in Italy and Benelux clearly confirm that the «cautious attitude» of the interviewed companies towards the Eco-Label is strongly determined by four different factors:

- a) lack of information regarding the scheme (and the connected opportunities)
- b) perception of the Eco-Label as a weak marketing tool
- c) «political» opposition to the Eco-Label
- d) difficulties met by producers in managing adoption on their own

*a) A basic lack of information regarding the scheme (and the connected opportunities)*

A basic lack of information that prevented the adoption of the scheme regarded the existence itself of the EU environmental label for products. Many companies were informed by means of the pilot action on the existing opportunity of participating in such a voluntary scheme, which was unknown before. This is a general information barrier which should be overcome by many companies in order to enhance the development and the diffusion of the Eco-Label.

The lack of detailed and product group-specific information turned out to be another relevant barrier for companies that were interested in obtaining the EU Eco-Label, but not fully aware of its implications. First of all, many companies knew there was a EU voluntary label, but were not informed about the Regulation requirements (both the criteria as such, and their «translation» at the operational and technical level). Secondly, many companies were not able to estimate costs connected to participation (both because they did not exactly know the fee-system and because they found it hard to evaluate the necessary investments to comply with the criteria). Thirdly, many companies were not aware of the possible business and competitive benefits linked to the Eco-Label adoption, because they lacked information on market opportunities (e.g.: how to use and promote the Eco-Label, if and how their customers would have valued such a choice, etc.). As we will see, this barrier is mostly due to a problem of communication and interaction between the actors involved in the EU Eco-Label implementation.

*b) Perception of the Eco-Label as a weak marketing tool*

In industrial sectors characterised by a «diffused» and fragmented competition, as well as by the presence of SMEs (e.g. textile, paints and paper industries), the main curbing factor seems to be the Eco-Label scarce value perceived on the market (in terms of both promotional capacities and its real competitive advantage). More than participation costs, scepticism and uncertainty about the marketing potential of the Eco-Label play a crucial hindering role especially for smaller companies. Many innovative and risk-prone SMEs operating in the above mentioned sectors, in fact, are willing to invest financial resources in eco-marketing strategies; but these companies choose to adopt the Eco-Label only if they can rely on its effectiveness as a marketing tool.

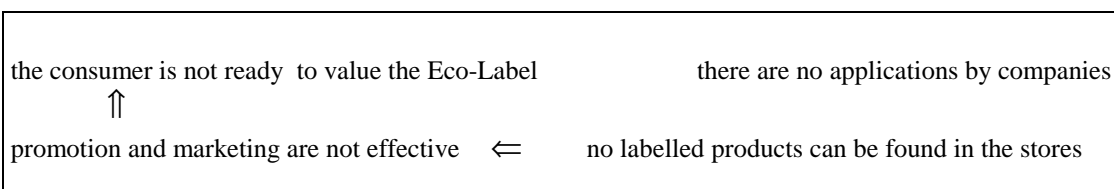
For many companies, doubts regarding this effectiveness rise from:

- the customers and consumers' unavailability to pay a premium price for green products;
- the scarce information and knowledge of the Eco-Label shown by customers and consumers;
- the lack of cooperation (or communication) with traders and retailers concerning possible Eco-Label promotion initiatives;
- the better marketing performance of other environment-oriented instruments (including national labels and the backing of environmental groups activity);
- the underestimation of the consumers' availability to attribute value to third-party certification.

According to our assessment, doubts and uncertainties regarding Eco-Label marketing potentials represent the most relevant barriers to its diffusion in many industrial sectors and countries.

We can say that, at present, a vicious circle (as opposed to a positive “virtuous circle” described in the following paragraphs) is hindering the development of the Eco-Label:

- companies are not eager to use it as a marketing tool (because they suppose or estimate that consumers are not ready to value it);
- labelled products are not offered on the shelves (therefore consumers cannot see it, nor find it and marketing/promotion of the Eco-Label cannot be effective);
- without marketing and promotion (and without eco-labelled products on the shelves), the consumer awareness is not increasing and companies still perceive the Eco-Label as a weak marketing tool.



As we will see, this vicious circle can be broken and interrupted by a tighter cooperation and communication between the company and some external actors interested in the EU Eco-Label (commercial partners, customers, stakeholders, etc.).

### *c) «Political» opposition to the Eco-Label*

By assessing the Eco-Label «state of the art» in Italy and Benelux, we also identified many cases in which adoption was hindered by different kinds of opposition to the scheme. We may group these cases under the category «political» opposition. This opposition is significantly present in sectors where a relatively small number of large producers operate, or where competitors are particularly «loyal» to (or influenced by) their trade association. For these very reasons, this opposition is usually expressed by trust of large companies or through the trade association official position.

In some industrial sectors (e.g.: light bulbs producers in Italy), for example, we reckoned a strong opposition by large producers against the Eco-Label criteria, which are considered unfit for the current technological capacities or ineffective as to their environmental improvement potentials.

The copy paper industry in Benelux, for instance, believes more in eco-management and voluntary agreements. The Eco-Label divides the federation in a small group of frontrunners and followers for which the Eco-Label is not applicable. In their opinion, environmental management requires a continuous improvement regardless of the current level. In this way, no one is excluded from participation and the environmental performance of the sector can be better. The political opposition focuses on the argument that, while the Eco-Label is a “black/white judgement” and gives only information about one product, the voluntary agreements unify the sector and require public reports about the environmental performance.

In other sectors (e.g.: the Dutch paint industry), the producers are able (and sometimes ready, e.g.: the Italian white appliance industry) to obtain the Eco-Label from the technical point of view, but they do not believe it is the proper instrument to stimulate the improvement of environmental performance by companies and, above all, none of them is eager to unbalance on its own the competitive (and oligopolistic) equilibrium of the sector.

Similar situation of «political opposition» to the Eco-Label can be found in sectors (laundry detergents and, partially, indoor paints), where sectorial trade association are hindering the diffusion of the label among national producers.

Political opposition is a barrier that could hardly be overcome by means of a pilot project: this is the reason why we simply acknowledged its presence, and drew the conclusion that some actors (i.e. national trade associations) could not be usefully involved in a supportive network. As we will see, the pilot project experience focused on “free-rider” companies, that did not participate in the agreements underlying the political opposition or simply were eager to grasp the competitive opportunities deriving from the breaking of consolidated balances between the producers operating in the sector.

*d) Difficulties met by producers in managing adoption on their own*

In some product groups the company that could apply for the Eco-Label is not the “ring of the value chain” that can influence the compliance with the criteria set for the product group. The textile sector and the copy paper sector are good examples. In the textile sector, the production of the raw materials is rarely performed in Europe. The same is true for most of the first treatments. The producer of the rolls of paper cannot apply for an Eco-Label and the companies that cut the rolls of paper into copy paper or tissue paper (wholesalers in office supplies) cannot influence the compliance with the criteria. It becomes even more difficult when the rolls of paper are imported, which is done, for instance, by most of the wholesalers in the Benelux (as there are hardly producers). On the other hand, some of them are a distribution centre of the producing mother company that is located abroad (for instance Modo Van Gelder), so they can easily manage the value chain.

The scarce control on parts of the value chain and on suppliers can be a barrier when it comes to the need of guaranteeing the environmental performance of intermediate goods or supplied services, as requested by the Eco-Label criteria.

In this case chain management by the applicant is needed to overcome this barrier.

In a few words, the preliminary investigation and assessment of the current situation, carried out in the first phase of the project, emphasised that barriers to the Eco-Label diffusion could be extremely different and numerous, and that they vary according to the features and specificities of the industrial sector, markets, institutional and social framework in which the company operates. This did not help in identifying a common strategy for the promotion and the diffusion of the Eco-Label.

The only clear indication was that the identified barriers had to be overcome by implementing sector- or market-targeted policy actions, aimed at many different actors involved in the Eco-Label system: guaranteeing the transparency of the scheme, sensitising and informing consumers, raising companies awareness, assuring Eco-Label visibility on the market, granting support and facilitation to SMEs, enhancing eco-labelled product competitiveness, strengthening stimuli deriving from national and international competition, seeking opportunities and optimal channels for eco-labelled product distribution, valuing services connected with eco-labelled products, and so on.

The results of the preliminary assessment suggested general aims and actions, that needed more operational indications to be tailored to each national, sectorial and market context.

The only way to obtain these indications was to focus on the main actor of the whole Eco-Label system: the company.

It is the company that should be convinced of the opportunity to adopt the Eco-Label and use it as a marketing tool. It is the company that perceives consumer trends and may stimulate them towards more «ecological» patterns. It is the company that makes the first move and challenges the sector or market immobility. It is the company, finally, that makes all the necessary efforts to obtain the Eco-Label and value it on the market.

A lot can be done to promote the EU Eco-Label by sensitising and informing consumers (see chapter 7), as well as all the other institutional and social actors involved in the scheme. But the key that may open the market-door to the Eco-Label remains its success among companies: this should be the first aim of any voluntary environmental policy.

These are the reasons why we concentrated our strategy on the company, taking it as a focal point for the Eco-Label development.

In order to define a common promotion and diffusion strategy, we analysed and experienced «in-field» what is needed to prompt and incentivate companies to adopt the Eco-Label:

- what information do they need to become interested in (and attracted by) the Eco-Label?
- what can convince them of the opportunities and benefits they could gain?
- what do they need to overcome the above mentioned barriers?
- how can they be supported?



As we will see, by answering these questions we also found motivations, ways and operational tools to involve all the other institutional and social actors who normally interact with a company that develops an Eco-Label-oriented strategy.

## **4.2. The Eco-Label adoption as a «strategic process»: a step-by-step approach**

As we have anticipated, the final phase of the *IEFE-ICEM-CEEM* pilot project was devoted to carrying out «in-field» activities with selected companies. These companies were contacted during the first phase and expressed the intent of participating in the experimentation activities to prepare the adoption of the EU Eco-Label. The «in-field» activities were aimed at supporting these companies (from now on the «focal-companies»), among the first to approach the EU scheme in the target-countries. In Italy, for example, the first three companies to apply for the Eco-Label took part in the project activities and were supported by researchers throughout the adoption process.

The starting point was different for the focal companies: some of them had just heard about the EU Eco-Label, some expressed a general interest towards the scheme, some were conducting technical and financial analyses to verify the feasibility of adoption, others had already obtained the Eco-Label and were defining appropriate marketing strategies and/or searching opportunities for new products.

This implied a specific support for each focal company. Nevertheless, the in-field activities were conceived to be a great occasion for experiencing different activities and aspects of Eco-Label implementation by companies, in different phases of the adoption process.

The experience gained in the first phase, in fact, proves that the application of the Eco-Label is a *gradual process*. This process may lead a company to the adoption of the label and to its fruitful utilisation «on the shelves», but this is only the final result of many other steps. Only if a company is able to move each single step, it will apply for the Eco-Label and, hopefully, reach the goal of a successful participation in the scheme.

As it clearly emerged from our project, we can identify and analyse five steps that characterise the adoption process (see figure 1).

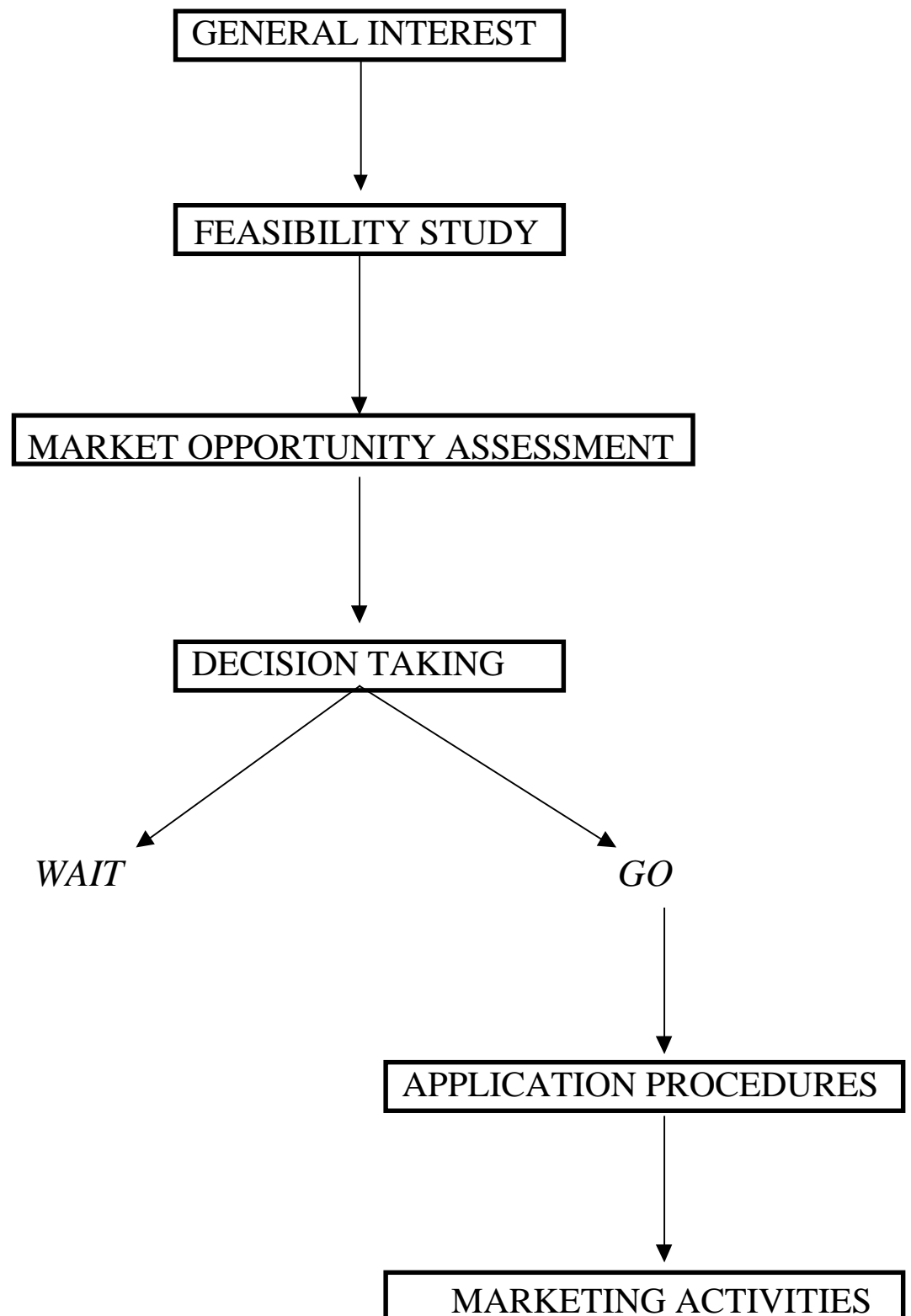
These steps are a mere simplification of many activities we experienced together with the focal companies and should be not considered as strictly subsequent. A company can take these steps in different logical or temporal orders but, nonetheless, our experience shows that each step is necessary to successfully approach the Eco-Label.

### **First step**

The company shows a general interest towards the label as a marketing tool, thanks to the information collected about the Eco-Label «business opportunities» or following specific requests by customers and/or consumers.

This step is crucial, because the quantity and quality of information gained by the company determines its attitude towards the Eco-Label. Sometimes we acknowledged the effects of «biased» or uncomplete information on interested companies. Especially small and medium enterprises must rely on external expertise and consultants to collect information on environmental voluntary instruments, such as the eco-labelling schemes. Providing information focused on the Eco-Label requirements, the technological implications for products/processes and the costs of participation in the scheme is certainly useful for interested companies. But emphasising only these aspects sometimes produces a «counter-effect» on companies, because they stress just the necessary efforts. In our preliminary assessment we reckoned a lack of information regarding potential benefits, achievable improvements and possible competitive advantages connected with Eco-Label adoption. As we will see, it is essential that information provided by external actors is correct, detailed and complete and discloses to companies also opportunities and benefits of the scheme, in order to strengthen their general interest and avoid hampering influences.

Figure 1: The Adoption Process of the EU Eco-Label by a Company



## Second step

The company normally performs a feasibility study in order to analyse and evaluate the conformity with the relevant environmental criteria and the technical capability to comply (or, eventually, the necessary efforts).

Technical feasibility is generally considered by companies as a preliminary condition to invest time and money in further developing an Eco-Label-oriented strategy. The experience of our pilot project demonstrates that the technical analysis is a competence- and expertise-intensive activity which often requires external support. This is mainly the case with SMEs, traditionally suffering from a lack of specialised technical and human resources.

We should not undermine that the technical feasibility is strictly connected with the tightness of the Eco-Label criteria. This implies that if the company faces technical problems in complying with the criteria, it may react in four different ways:

adapting its product/processes by means of technological upgrading and product innovation

temporarily renouncing to Eco-Label and defining a longer run project for product improvements

waiting for the criteria to be revised (and hoping in a less restrictive version) and/or deciding a «political opposition» to the scheme (see paragraph 4.1).

definitely renouncing to apply for the label

In the first case, SMEs usually need support also in identifying technical and technological solutions, planning the necessary improvement actions and implementing them.

## Third step

The company usually feels the need to carry out a sort of «cost-benefits analysis» of the Eco-Label.

The depth and accuracy of this analysis depends on the company size, capacities and resources; but nevertheless we may say that every company interested in the Eco-Label deals with the estimation of participation costs, as well as with the evaluation of its benefits or opportunities (competitive advantages, image improvement, more effective product management, response to consumer trends, market share enlargement, better relations with stakeholders, etc.).

Whilst cost estimation is rather simple and practicable in terms of provisional budget (even when the company has to consider the necessary investments for technology upgrading and the financial effort for future marketing activities), the evaluation of potential benefits is complex and uncertain, especially for SMEs. Companies tend to undervalue benefits when they cannot exactly quantify them. This happened with some of the project focal-companies, which attempted at estimating benefits achievable through the adoption of the Eco-Label.

In order to point out and measure these benefits, companies should:

- identify existing business and market opportunities
- be aware of hidden opportunities
- evaluate indirect benefits, such as potentials for improvements in the company's image, in the relations with its stakeholders, with respect to its social acceptability, and so on.

A relevant bulk of information and data is necessary to perform such an evaluation. The smaller is the company, the more it needs support for this activity.

At this point, the company takes a «*wait-or-go*» decision regarding application for the Eco-Label, basing on the information and indications that result from the first three steps.

## Fourth step

Once the company has decided to «go» for the Eco-Label, it needs to complete all the necessary application procedures (contacting the competent bodies, filling in and submitting the application form, selecting an accredited laboratory, passing the tests on products, etc.).

Although this step may appear easier and more «straightforward» than the others, it is not free from practical problems and operational difficulties. Companies often find it hard to deal with the bureaucracy implied by Eco-Label adoption. Our preliminary assessment highlighted situations in which the «red tape» requirements prevented companies from developing their interest towards the Eco-

Label. In some countries (such as Italy) this has also to do with the diffused company's attitude of dissatisfaction and mistrust towards public administration bodies (even when they govern a voluntary scheme).

In countries like Italy, SMEs are not used to interact with public administration beyond the traditional «command and control» relationship. This is the reason why these enterprises have to tackle additional difficulties in approaching the Eco-Label. To be successful in these countries, the scheme must be capable of attracting the thousands SMEs that operate in all industrial sectors. Therefore, application procedures and verification requirements should be kept very transparent, simple and understandable. Our experience shows that this is not often the case. As a result, many companies seek external support to carry out the application procedures.

### Fifth step

*The final step* is to be taken after the Eco-Label has been obtained. In order to gain the expected benefits, the company has to design, develop and carry out an effective marketing campaign, focusing on its eco-labelled products.

This campaign should target different stakeholders, and base on both commercial and «social» activities. As all the focal-companies realised during the project, the success of labelled products depends on consumer and public awareness of the Eco-Label. Furthermore, these companies have understood that waiting for consumers and society to mature and develop this awareness on their own (or thanks to public sensitisation) could turn into a lost opportunity. If a company wants to achieve positive results with the Eco-Label in the short run, it should become actor and promoter itself of awareness-raising campaigns addressed to all its stakeholders. This could be performed by:

promoting the labelled products, together with the Eco-Label itself, through advertisements, marketing initiatives, etc.

selecting the most appropriate and viable distribution channels and retailing strategies for the labelled products

sensitising business partners on the Eco-Label environmental guarantees and «image» potential advantages (e.g.: suppliers, service providers, banks, insurance companies, etc.)

diffusing information about the Eco-Label and valuing it with all the social and institutional stakeholders (e.g.: public administration, authorities, trade unions, NGOs, local communities, universities and schools, etc.)

According to our project experience, a strong commitment to promoting the Eco-Label awareness among consumers and other stakeholders is definitely a «win» strategy. The companies that firmly took this step by investing time and money in marketing campaigns were the most successful and satisfied with the Eco-Label adoption. But, once again, we should acknowledge the impossibility for many companies to cope with the costs of a proactive marketing strategy. In particular, SMEs must face up to their lack of resources. As we will see in chapter 7, many SMEs are very innovative companies, prone to explore new improvement opportunities and ready to move to the environmental-excellence frontier, in order to gain competitiveness. These features portray the companies that today are more frequently approaching the Eco-Label scheme in countries like Italy and Belgium. When it comes to marketing and promotion strategies, though, SMEs still lag behind in terms of capacity to mobilise financial means, business contacts, media and information channels, retailers' interest, etc. In this perspective, SMEs meet relevant difficulties in taking this final step, which should instead provide them with the strongest motivation to approach the Eco-Label.

Only the companies which positively complete the «five-step» process, described above, are fully successful in adopting the Eco-Label.

Our project experience shows that few companies are able to achieve this result by relying only on their own resources. As we emphasised, relevant barriers and difficulties hinder the positive development of the process. Many companies give up the process and decide to «wait» as soon as they face a barrier or a complication that makes a step too difficult to take on their own.

During the project, in Italy and Benelux we reckoned a lot of unsuccessful stories regarding companies that renounced to participate in the EU scheme owing to their lack of information, adequate resources or technical competence to tackle the difficulties linked to Eco-Label adoption. To a wider extent, this probably explains the partial failure of the scheme in these countries.

The most important suggestion emerging from the project is that companies need support to fill the lack of information and of human, technical and economic resources which prevent them from overcoming the barriers and successfully taking the above mentioned steps.

## 5. The Network Model

From the company point of view, the indication emerging from our experience has been plain and straightforward: the only way to acquire these resources is to seek external support. This was particularly true for SMEs participating in our project: they recognised support coming from external actors (public institutions, business partners, stakeholders, etc.) as the only workable way to sustain and accomplish the Eco-Label adoption process. In many EU countries, cooperation with external actors is a recurrent and ordinary form of business relation for SMEs. Networking has traditionally enabled them to maintain high levels of efficiency, flexibility, product quality... in few words: to successfully compete with larger companies.

On the basis of this experience, we therefore focused on the possible contributions that some external actors could give to companies within the adoption process. We aimed at designing and implementing what we ambitiously called a «*network model*».

By identifying and involving actors capable and willing to support companies throughout the process, we aimed at starting up a network. The network is conceived to provide the involved focal-companies with incentives, competitive stimuli, resources, competence and information and, consequently, to enable them to overcome all the steps leading to the Eco-Label. Creating networks of interested actors, and promoting cooperation among them, is the most effective way of helping companies in tackling the difficulties they face in adopting the Eco-Label.

Network promotion can favour the development of the EU Eco-Label, insofar as it stimulates the interest of many actors for the success of the scheme and it facilitates mutual support between them.

This support is crucial for SMEs, which should be considered as the core of our networks for Eco-Label adoption.

Few networks (or part of networks) did spontaneously originate in Italy and Benelux before the project, arising from the «natural» availability of actors to cooperate for developing Eco-Label-oriented strategies. This is the reason why Eco-Label, at the time we started up the project, was experiencing a difficult «take-off» in these countries: trade associations were not ready to support the scheme, environmental groups were little more than indifferent, Public Administration hesitated in enacting environmental procurement policies, and so on.

We believed that activating and motivating these actors, as well as encouraging cooperation between them and interested companies, could give a powerful momentum to the EU scheme. So we attempted to create, start up and develop some networks centred on our focal-companies, within the scope of the pilot project. This seemed the best way to spur Eco-Label diffusion in Italy and Benelux, since in these countries:

- the «front runners» in approaching the scheme are mostly innovative SMEs ;
- these companies are rarely able to complete the adoption process on their own, due to a lack of information and competitive stimuli, on one side, and resources, on the other;
- they need support from external actors;
- external actors are not spontaneously offering their support;
- a policy objective should then be to stimulate the interest of these actors and promote their participation in a network: this would “push” the actors to “pull” the Eco-Label adoption by front-runner SMEs.

In order to pursue this objective, we should answer to two preliminary questions:

- which actors can usefully be part of a network?
- how can they be effectively involved?

## 5.1. Relevant actors in the Eco-Label Network

Voluntary environmental policies rely on the possibility to set out a «virtuous circle» among the actors involved in their implementation. This represents the strength of voluntary instruments. The application of environmental certification schemes like eco-labelling or environmental management standards, for example, implies that each actor involved pursues its interest by (consciously or unconsciously) supporting other actors' aims. By participating in an eco-labelling scheme, in fact:

- industrial and other business actors are allowed to use a marketing tool to enhance their competitiveness, *meanwhile*
- social actors (consumer, citizens, communities...) obtain correct and credible information on product environmental impact, *meanwhile*
- institutional actors achieve public policy objectives in terms of environmental performance improvement

We tried to reproduce this «virtuous circle» within our networks, by involving actors that might gain benefits and advantages from the development of the EU Eco-Label, and hence could be incentivated to support companies interested in the scheme. We needed to start up networking actions at a very operational level and, consequently, we selected a limited number of actors whose cooperation could be viable in specific conditions (market situation, sector composition, institutional context, service availability, and so on). Nevertheless, we are able to identify some typologies of external actors and stakeholders that could be usefully gathered in a cooperative network for the Eco-Label.

### *a) Customers*

The principal beneficiary of eco-labelling schemes is, no doubt, the final consumer. The label guarantees the environmental excellence of eligible products to consumers, whose information and awareness are primary objectives for the EU Eco-Label. In order to promote sustainable consumption, the scheme aims at both sensitising consumers and enabling them to express their purchasing preferences. But, in many cases, this is not enough for the success of the Eco-Label. As we have seen in chapter 4, sometimes consumers are not eager to endorse the labelled products (due to their feeble environmental awareness and/or to the scarce visibility of green products on the shelves). Sometimes companies are not able to detect eco-consumption trends (because these are too weak/still immature or because companies do not investigate in sufficient depth).

By creating a network, we attempted to stimulate interaction between a focal-company and its market. Our aim was to let the company fully perceive the true value of the Eco-Label by communicating with actors who may *purchase* eco-labelled products.

Of course, it is impossible to directly involve final consumers in the network, since they hardly behave as an homogeneous and identifiable actor at the practical level. This motivated our choice to concentrate on customer enterprises and/or institutions and, as we will see, on consumer associations.

SMEs' large and important customers can play a concrete role within the networks to drive (and support) the adoption of the Eco-Label. Our experience reveals that many large customers still need to be sensitised on the potential guarantees and benefits that the scheme offers. However, many others have matured a significant awareness, and are today searching for ways to transmit to their suppliers requests regarding the environmental quality of intermediate goods and tradable products.

Involving in the network customers that are keen to attribute the proper value to the Eco-Label, produces powerful incentives for the focal-companies to participate in the EU scheme.

### *b) Retailers*

Retailers and traders can play a key-role within a network. They act as «mediators» between consumers and focal-companies. The retailer is a sort of «gatekeeper» of product environmental quality:

on one side, he is a sensor of environment-oriented consumption trends, as he can transfer consumer demand for green products upwards to producer companies  
on the other side, he is an amplifier of “environment-friendly supply”, as he can guarantee for the credibility of producers’ statements and information and support their green marketing campaign by offering a direct contact with the final consumer (dedicated shelves, ecological oasis, specialised points of sales, etc.)

It clearly emerged from the project experience that in many markets, and for several product groups, retailers are more important than consumers, because they orient consumer purchasing preferences and they decide which goods should be proposed to a client who asks for an environment-friendly product. Even if they had not adopted the Eco-Label at that time, for example, most companies interviewed during our preliminary assessment declared that they were ready to respond to any request made by the retailers on the environmental performance of the supplied products.

Today, large retailers in Italy and Benelux are sharpening their environmental strategies and, among other actions, they are increasingly willing to utilise eco-labelled products for their green marketing campaign and “social image” improvement initiatives. This means that their suppliers could soon face tighter requirements for acceding to the vendor-lists. In the near future, they might be asked either to directly provide eco-labelled products, or to assure that supplied products are eligible for the Eco-Label. In both cases cooperation with supplier companies becomes a central issue and represent an opportunity for mutual support. This is why retailers should be considered as a nodal point of any network aimed at supporting Eco-Label adoption by companies.

### *c) Environmental/consumerist associations and other NGOs*

The credibility gained by these actors in the eyes of consumers and citizens is crucial for the success of the Eco-Label. In addition to their “natural” role in the diffusion of a wider awareness and information regarding environmental labelling, environmental and consumerist associations can promote the EU scheme also by directly cooperating with proactive companies. Their involvement in our networks aimed both at stimulating focal-companies’ interest in the Eco-Label and at supporting the marketing of labelled products. These objective were pursued by conducting joint information and promotion initiatives. Tighter cooperation between companies and these associations gives higher value to the Eco-Label, also from the «green marketing potentialities» point of view.

The potential influence of articles in NGO magazines, targeted at a segment of society that is valuing green issues extremely high, cannot be misunderstood as an important element in the diffusion of the Eco-Label.

Environmental organisations can also ‘*show the good example*’ to society, either by buying and using Eco-Labelled products themselves, either by selling such a products or by joint-marketing.

### *d) Institutional actors involved in the implementation of the scheme*

National competent bodies and correlated institutions (providing support for the EU Eco-Label implementation) were fully involved in the networks created during the project. They represented an important reference point for the focal-companies, that could constantly rely on these bodies for technical and informative support in carrying out all the necessary activities for the Eco-Label adoption.

### *e) Public Administration*

Among the actors that could contribute to promote and diffuse the Eco-Label, Public Administration plays a decisive role. We attempted to effectively involve this actor at different levels and in its different layers, with the objective of starting up initiatives of public procurement or public purchasing,



that could represent a considerable spring for the Eco-Label. Direct involvement in our networks was only partially accomplished, but its positive results suggest that interactions and business relations between Public Administration and supplier companies adopting the Eco-Label should not be undermined as a potential incentive.

*f) Media*

Media campaign, public initiatives for circulating and diffusing information (as well as training actions) addressed to actors involved in Eco-Label implementation are important instruments to be used within a network. These instruments were utilised in our pilot project, on one hand, to support the focal-companies in their marketing strategies (in this way promoting also the Eco-Label as such) and, on the other hand, to reach a wide number of actors that could be interested in the application of the EU Eco-Label.

It is vitally important to create press coverage about the EU Eco-Label, in order to draw the attention of manufacturers and retailers, and in order to raise awareness of the public and the consumers.

Press coverage can be organised in case of special events like: new applications; launch of awarded products; retailers devoting shelf space to Eco-Labelled products; retailers expressing the intention to pay special attention to Eco-Labels when adjusting their assortments;...

*g) «Intermediate» institutions*

The diffusion of voluntary schemes (Eco-Label, EMAS, ISO standards) strongly relies on the supporting activities of many institutions, such as chambers of commerce, local agencies, voluntary consortia, centres of excellence, etc. We may define these institutions as «intermediate», since they are collective (but not public) actors. Their activity is particularly important for removing the barriers to the diffusion of voluntary schemes among SMEs. In the long run, they will probably be the primary means to lead SMEs to implement sound environmental management tools and help them to adopt environmental certifications.

A pivotal «intermediate» institution is represented by trade associations. As we have seen, national sectorial trade associations are often hostile to the development of the Eco-Label (with some relevant exceptions, like the Italian Textile Federation); but from our preliminary survey it also emerged that, when these associations operate at a local territorial level or represent SMEs, they are much less concerned with the need of preserving the competitive equilibrium in the reference industrial sector. Therefore, these associations are willing to accept and even support the Eco-Label-connected advantages that their associates could gain in the competition with larger companies (in the case of SMEs) or with respect to companies operating in other areas (in the case of territorial and local trade associations).

Confapi, one of the national federations representing Italian SMEs, was successfully involved in some networks within the scope of our pilot project.

*h) Other «first mover» companies*

We call «first movers» those companies that have already entered the process of adopting the Eco-Label. Virtually all the focal-companies taking part in the project activities are to be considered first movers. They overcame uncertainties and doubts about the adoption of the label and the implementation of marketing strategies based on the exploitation of the label's potentialities. In some sectors (detergents, paper and, to a lesser extent, paint industry) they face the «political» opposition of their trade associations and of many competitors. They hope to take advantage of the breaking of settled competitive balances that, sometime, are vouched by the wait-and-see policy of their associations. Because of these similarities, the first mover companies are eager to cooperate with each other, by

exchanging information and experience about their “pioneeristic” approach to the Eco-Label. We experience this kind of cooperation during the project.

Cooperation happens to be particularly effective between companies operating in the same industrial sector and companies operating in the same region. In the first case, enterprises collaborate by identifying and discussing similar problems in satisfying the Eco-Label criteria and by finding technological solutions to be applied to similar production processes and products. This was the case of a network that we started up within the paper industrial sector in Italy (see section 5). In the second case there are synergies in interacting and communicating with the same stakeholders (local retailers, local population, authorities, ...), without worrying about sharing information with a direct competitor (as occurs in the first case). We experienced a similar case by inducing and organising cooperation between two focal-companies operating in the same area and conducting their information campaigns through the same press-agency (see section 5).

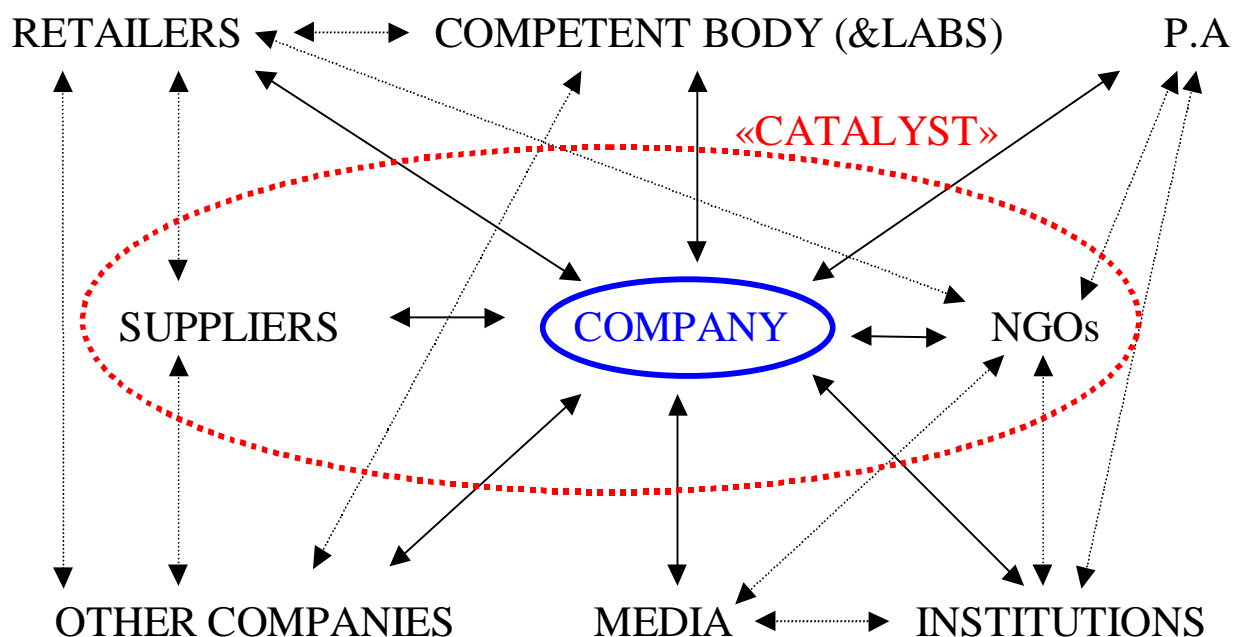
### *i) The catalyst*

Since all the interested actors mentioned above are seldom prone to collaborate with each other, there needs to be what we call a «*catalyst*». The catalyst is the actor that promotes the network: favouring contacts among the other actors, facilitating information exchanges, promoting cooperation initiatives, proposing collective actions, mediating between conflicting interests. The catalyst action is absolutely fundamental to start up the network and «keep it alive». Any interested actor could become a catalyst (the focal-company itself, trade associations, institutional bodies, consultants, etc.), if he/she finds enough motivation to prompt the network. This never happened in Italy or Benelux before our pilot project, though.

NGOs and *non-profit institutions* (such as universities and research institutes) are «natural» candidates to play this role for their neutrality, capability to establish contacts and relations with all the other actors and availability to promote actions for public interests.

Networking as applied to focal-companies within the pilot project is schematised in figure 2. Full arrows represent a relation with the focal company, arrows with dots a possible cooperation between two external actors.

Figure 2: External Network Model - The Network around the Company



## 5.2. The role of the Network actors in the Eco-Label adoption process

As we have seen, the last phase of the project was devoted to experiment the «network model», thanks to the cooperation of some companies participating in our pilot action. *IEFE-Bocconi* and *ICEM-CEEM* played the key-role of catalysts.

We attempted to design and develop a network of external actors around those focal-companies that were more determined in taking some of the steps we described above. For each step we identified some key-actors that could usefully be involved in the network at a very early stage, in order to start it up and make it work effectively.

In our experience, these key-actors are very important partners for the company to carry out the necessary activities for the Eco-Label (information collection, feasibility study, market opportunities assessment, application procedures and marketing activities). At later stages, other actors can usefully take part in the network. Each network, in fact, should not be interpreted as a static solution to the problem of «pushing up» the Eco-Label system but, as we have seen, as a sort of «small scale» virtuous circle in which all the actors who can help the system (by supporting the focal company) will usefully participate when they will find it convenient. A catalyst should have the task to convince and involve them with the appropriate timing.

In this paragraph we briefly describe what could be the role of each external actor in the different steps of the above mentioned Eco-Label adoption process; while in the next chapter we will describe the activities that we carried out in-field in the last phase of the project, in order to create and stimulate networks and support the focal-companies in completing the process.

As we have seen, in some cases the focal-company expressed just a **generic interest** with respect to the potential adoption of the Eco-Label. This was not enough to persuade the management to further investigate the feasibility of participation in the scheme. As we anticipated, this “give up” behaviour is often due to a lack of correct and exhaustive information about the EU scheme and/or to a insufficient business interest in obtaining the label.

In this circumstances, the network could help in obtaining information and can stimulate the interest of the company. Key-actors in diffusing information to companies are the Competent Body, different institutions (including P.A., universities, local agencies) and trade associations. Owing to the lag in diffusing information about the EU Eco-Label in all the analysed countries by institutional actors (sometimes even due to the lack of the competent body), in our project this role was played directly by the catalysts. A correct and comprehensive information about EU Eco-Label requirements as well as on its opportunities and benefits was essential to give momentum to the networking activities. Some focal-companies were convinced to commit themselves to preparing Eco-Label adoption by a more detailed knowledge of the scheme.

Other key-actors can be involved in the network to raise the company’s interest towards the Eco-Label. In pursuing their own environment-oriented strategies and interests, these actors could ask the company for eco-labelled products: retailers (green competitiveness), P.A. (public procurement), banks (image improvement), NGOs (pro-environment political choice), etc.

The role of retailers is absolutely central. In Belgium, for example, where no white appliance producer is located, eco-labelling of refrigerators and washing machines is taking off thanks to the interest showed by some retailers in selling labelled products.

COMPANY'S  
STEP

## NETWORKING ACTIONS

NETWORK  
KEY-ACTORS**General interest**

|                       |  |
|-----------------------|--|
| diffusing information | Competent Body                                   |
|                       | institutions (P.A., universities, agencies...)   |
|                       | trade associations                               |
| raising interest      | retailers  |
|                       | large customers (including P.A., banks, NGOs...) |

Pressures exerted by retailers and large customers could convince the company of the opportunity to take another step towards the Eco-Label: a **feasibility study** (see paragraph 4.2). To support the company in performing this kind of study, the catalyst could usefully involve in the network some key-actors with technical expertise. The Competent Body, trade associations and research centres can provide the company with specific information on Eco-Label criteria (technical details, necessary tests on products, future evolution of criteria and product groups, time-length of the adoption process, etc.). The company needs also a more operational support in evaluating the compliance of its products to the criteria at the practical level. This technical and technological support can be offered by accredited laboratories, suppliers (that, at least, need to be consulted), consultants and experts. Relations and contacts with these actors can be favoured by the catalyst within the network. Examples on how a network can work for this step can be found in chapter 6.

**Feasibility study**

|   |   |
|---|---|
| specific information on criteria (technical details, necessary tests, future evolution,...) | Competent Body                          |
|   | Trade associations and research centres |
| technical support   | accredited laboratories                 |
|   | suppliers                               |
|   | consultants and experts                 |

Even if the adoption of the Eco-Label is technically feasible, this does not mean that the company automatically decides to participate in the scheme. The Eco-Label should also be economically sustainable and guarantee advantages and benefits from the competitive point of view. In addition to the **estimation of costs** linked to Eco-Label adoption, the company needs to **assess existing and hidden market opportunities** for labelled products. Retailers and traders can help in evaluating the possible distribution channels and the competitive potentials of the Eco-Label. Market research institutes and

consumer associations are able to identify consumer preferences and purchasing trends. These are the key-actors that a catalyst should involve in the network.

A very interesting example of network activity favouring this step can be taken from the Italian experience (see the case study relating to the focal-company Lucart).

|                                      |   |  |
|--------------------------------------|---|--|
| <b>Market opportunity assessment</b> | identify and evaluate: <ul style="list-style-type: none"> <li>■ costs of participation</li> <li>■ existing mkt opportunities</li> <li>■ hidden mkt opportunities</li> </ul> | retailers & traders<br>market research institutions<br>consumer associations |
|--------------------------------------|---|--|

Once the Eco-Label has proved to be potentially sustainable, the company has all the elements to take the decision regarding application. If the company decides to «wait», the network can be used to keep it informed about the developments of the scheme and to keep its interest high on the Eco-Label. This is what the two catalysts (*IEFE-Bocconi* and *ICEM-CEEM*) are still doing with companies that gave up at this stage.

If the company decides to «go», the network can support it in **preparing and presenting the application**. Once again, the key-actors are the Competent Body, the accredited laboratories and, eventually, specialised consultants. A continuous and cooperative relation between the company and Competent Body, on one hand, and accredited laboratories, on the other, is essential to be guided through the correct application procedures.

As we already emphasised, this is not a trivial step for the company. Not many focal-company reached this step during the project. An Italian copy paper manufacturer (Favini) represent a curious example of coordination activities within the networks (see chapter 6).

|                               |         |  |
|-------------------------------|---------|--|
| <b>Application procedures</b> | support | Competent Body<br>accredited laboratories<br>consultants |
|-------------------------------|---------|--|

The final step, once the Eco-Label has been obtained, is to define and implement an effective and successful **marketing strategy**. Many actors can be involved in the network to promote cooperation and synergies. The company can be supported in the conception and realisation of co-marketing initiatives (with other companies, retailers, suppliers), partnerships (with environmental groups and other NGOs) or actions to link the Eco-Label with other main environmental or social events (with the help of institutions and media). These could be win-win strategies for all the actors involved in the network.

A significant effort was made by the two catalysts in defining and implementing networking actions to support focal-companies in taking this step.

|           |                        |   |
|-----------|------------------------|---|
| Marketing |                        |   |
|           | co-marketing           | other companies<br>retailers<br>suppliers     |
|           | partnership            | environmental groups<br>consumer associations |
|           | link with other events | institutions<br>media                         |

## 6. Starting Up and Experimenting with Networks

This chapter describes the activities of the second phase of the project. In this phase, the promoters carried out some in-field experimentations of the “network model”, whose application was adopted as a key-factor for the promotion of the Eco-Label in the target countries.

As we have anticipated, in these countries some companies were selected to participate in case studies. The “focal companies” were supported in conducting the Eco-Label adoption process by creating networks of external actors who cooperated with them in carrying out different steps of the process (see chapter 4 and 5).

The promoters played the role of catalysts (by involving external actors and coordinating the initiatives for cooperation between them and the focal companies) and often gave direct support to focal companies when external actors were not available.

The following paragraphs describe the experimental cooperation activities the promoters conducted aiming at starting up networks for the adoption of the Eco-Label. None of the networks initiated during the in-field experimentation can be considered as complete, fully autonomous and self-prompting at the project completion, but many significant cooperative relations were activated and proved to be successful for the different steps of the adoption process.

Some of the most interesting case-studies of networking actions implemented by the promoters (or by the focal companies themselves) are described for each of the target countries.

### 6.1. Italy

#### 6.1.1. Networking Actions within the Project

Six focal companies were selected during the first phase of the project and officially accepted to take part into the experimentation activities:

- *Lucart (a tissue paper producer)*
- *Cartiera Favini (a copy-paper producer)*
- *Baldini Vernici (a paint producer)*
- *Madival (a bed-linen producer)*
- *Bailo (a T-shirt producer)*
- *Deco (a detergent producer)*

During the second phase of the project, the promoters carried on contacts with many other companies (the most important of which is Zucchi), continuing the sensitisation and direct support activities initiated in the first phase, but these companies did not participate in the case studies.

#### **Catalyst**

During the experimentation activities, *IEFE-Bocconi* played the role of catalyst aiming at starting up networks of external actors capable of guaranteeing an adequate support to the involved companies.

The main aim of this activities was to verify if networking and cooperation between the actors involved in the implementation of the Eco-Label is an effective spring and a sufficient resource for sustaining the development of the scheme in Italy and, therefore, for enabling companies to overcome the barriers they face in the adoption process (see chapter 4). As a consequence, *IEFE-Bocconi* constantly tried to identify external actors capable of supporting companies, to stimulate cooperation and eventually to coordinate their activities in order to initiate a permanent networking mechanism. Only in the case an adequate and sufficiently prepared external actor could not be found, *IEFE-Bocconi* directly played its role and supported the focal company.

In addition to the “start up” of individual networks surrounding our focal companies, *IEFE-Bocconi* (as catalyst) carried out a relevant number of actions aimed at stimulating and sensitising the whole system towards the Eco-Label opportunities, in order to favour the spontaneous arise of Eco-Label-targeted networks to satisfy the interests of other companies.

As we will see in the following paragraphs, many external actors have been identified at a national level. These actors obviously played (and will continue to play) the same supportive role in many different experimental networks. The sensitisation and involvement of these actors (such as environmental and consumerist associations, media, intermediate institutions,...) should be considered as one of the most positive results of the project, insofar as these actors are today eager to support many other companies interested in the EU Eco-Label, and even to become catalysts themselves of new networking actions. The actions to sensitise important actors at a general level and incentivate their participation in Eco-Label-targeted networks is a key factor for a promotion strategy in a situation where the scheme has completed its take-off phase (see chapter 7).

### **Focal Companies**

At the beginning of the second phase of the process, the six focal companies involved in the experimental activities had reached very different stages in the Eco-Label adoption process. Some of them just expressed a general interest in the EU Eco-Label, others were evaluating the technical and/or financial feasibility of adoption, one focal companies was already conducting the application procedures and needed to define an appropriate marketing strategy. The attempt of *IEFE-Bocconi* was to support these companies in making a step forward in the adoption process, whatever the initial stage was. The focal companies needed a different kind of support, relating to the step they were interested in. Many companies were able to take more than one step during the project. Some of them (Baldini Vernici or Cartiera Favini) almost completed the adoption process from the very beginning (they did not know what exactly was the Eco-Label) to the adoption (at press time they are completing the application procedures).

As we have seen, *IEFE-Bocconi* as catalyst provided the six focal companies with two kinds of support: actions aimed at creating a network by involving external actors in cooperation initiatives actions aimed at directly assisting the focal companies in conducting the necessary activities to complete some of the steps of the adoption process

The promoters carried out the following support actions:

- *clarification and explanation of criteria and developments of the scheme*  
*IEFE-Bocconi* helped the focal companies in gaining (or directly provided the focal companies with) basic information regarding:
  - explanation of what an Eco-Label is;
  - how the EU Eco-Labeling Scheme works;
  - who can apply for which products;
  - what the meaning of criteria is;
  - which criteria have been defined for their product group;
  - what were the future prospect for the product group (new criteria, extension to other products, etc.).
- *support in the feasibility study and in the estimation of cost and benefits linked to the Eco-Label adoption*

In order to complete the set of information and the competitive stimuli that some of the focal companies needed to proceed in the Eco-Label adoption process, the network (or the catalyst itself) in some cases provided support in:

- evaluating the technical feasibility of the compliance with the criteria from the technological and product management point of view;
- estimating costs of participation (both as regards the fee-system and as to the costs implied by product and process modifications);



-identifying marketing opportunities for the eco-labelled products.

- *clarifications on other operational, technical and bureaucratic aspects of the scheme:*

Once the feasibility of the EU Eco-Label was established at a general level, further support was provided by external actors (or by the catalyst itself) as concerns:

- how to gather information and obtain test results for the products;
- the procedure for submitting the application.

- *search for accredited laboratories and suppliers:*

In some cases, the experimental activities focused on the search for the cooperation of external actors whose support is essential for the effective completion of the adoption process. In these cases *IEFE-Bocconi* supported the focal companies in involving in the network:

- an accredited laboratory for the tests on products;
- suppliers that were able to guarantee intermediate goods or service complying with the Eco-Label criteria.

- *search for external actors as potential partners in the marketing activities of the eco-labelled products*

In some cases, the experimental activities focused on the search for external actors who could cooperate with the focal companies in valuing the certification obtained towards their stakeholders and the market. In these cases *IEFE-Bocconi* supported the focal companies in networking with:

- retailers willing to support the diffusion of eco-labelled products;
- NGOs eager to cooperate in a joint information and sensitisation campaign regarding the EU Eco-Label;
- media available to give emphasis to the first Eco-Labels obtained by Italian companies;
- other external actors potentially interested in participating in information and marketing initiatives to promote the EU Eco-Label.

The case studies of some interesting companies (*Baldini Vernici, Lucart, Cartiera Favini* and the two focal companies operating in the textile sector: *Madival and Bailo*) are described in paragraph 6.1.2.

## **Retailers**

The large retailers operating in Italy were contacted during the first phase of the project. All of the three contacted retailers (Coop, Esselunga and Rinascente) had expressed their willingness to promote the EU Eco-labelled products, but at certain conditions.

The attempt of involving these retailers in some of the networks of the second phase was not completely successful. These retailers offered their support to the only company which obtained the Eco-Label within the project experience, but only one of them undertook further actions to promote the eco-labelled products.

It is in the promoters' opinion that, in order to obtain a fruitful and effective involvement of the retailers (which is a key factor for the development of the scheme), a deeper and more direct cooperative action is necessary, once a larger number of product has obtained the Eco-Label.

The case of Coop is very significant. The retailer was eager to provide adequate room and emphasis to the Lucart eco-labelled products both on the shelves and on its information newsletter. But Coop is seeking a tighter cooperation (and possibly an agreement) with the competent bodies and the European Commission to launch the EU Eco-Label among Italian consumers within a coordinated action that could attribute to this retailer an important role.

The case of Esselunga is rather different. Thanks to the effect of some networking actions (especially of the publication of an article on a widely diffused newspaper), this retailer was convinced of the opportunity of undertaking an Eco-Label-oriented marketing strategy. As we will see in one of the case-study, Esselunga reached an agreement with its supplier Lucart, concerning the supply of tissue paper to

be eco-labelled with the retailer's own brand. Esselunga will presumably apply for this new line of products at the beginning of 1999.

The Rinascente Group decided to lessen its effort towards the use of the Eco-Label criteria in supplier selection during the second phase of the project (owing to the arise of higher strategic priorities in its business strategies) and, therefore, was not directly involved in any network. The management emphasised its interest in the Eco-Label and asked the promoters to keep in touch with the environmental manager, declaring that the scheme remains one of its "long run" objectives.

### **Environmental groups and other NGO's**

The two environmental associations contacted during the first phase were involved in some of the networks experimented in the project.

The role of Legambiente in the network created in the textile sector was crucial, especially in offering to one of the companies (Madival) a great opportunity for improving its environmental image towards the public. With the support of DGXI.E.4, Legambiente organised a workshop within the context of the fair "Ecomoda", dedicated to the textile products entailing limited environmental impacts. In this workshop, Madival was invited to a round table and was given the opportunity to announce its intention to apply for the Eco-Label. Madival will be the first textile company to apply for the label in Italy. The Ecomoda workshop represented also a relevant chance for sensitising the actors operating in the textile sector and for diffusing information about the Eco-Label to other interested companies.

The relevance and success of the workshop has strengthened the strategic choice of Legambiente to support the diffusion of the EU scheme in Italy. This association is available for future cooperation with interested companies.

WWF cooperated with some focal companies especially in defining promotion activities of the EU Eco-Label.

This association, for example, had already cooperated in the past with Cartiera Favini for the promotion of environmental friendly products. When this focal company was looking for some partners to involve in the future marketing activities of the eco-labelled products, the catalyst sensitised WWF Italy on this issue. WWF guaranteed its cooperation in the promotion of Favini eco-labelled copy-paper, once the application procedures will be successfully completed.

Another relevant example of WWF involvement in a network are the contacts that the promoters established between this association and Esselunga, in order to dedicate a permanent room in the retailer's newsletter to the EU Eco-labelled products.

A last networking action regarded a third NGO: "Associazione Ambiente e lavoro". Sensitised by the promoters, this association organised a conference for the diffusion of information about the EU Eco-Label. This conference represented a relevant opportunity for the companies involved in the project to acquire public visibility. Associazione Ambiente e Lavoro has offered its cooperation for future promotion initiatives.

### **Institutional Actors Involved In The Implementation Of The Scheme**

#### *a) Italian Competent Body*

The "Comitato Eco-Label e Ecoaudit" played an important role in the second phase of the project. Although no common promotion initiative was undertaken with the project promoters, the Comitato was a point of reference for all the focal companies. The direct relation with the Comitato allowed for an efficient communication between focal companies and the competent body, facilitated by the promoters. The Comitato was a crucial external actor of the networks especially for the step regarding the application procedures, but it was also involved, as we will see in the next paragraph, in the diffusion of

information about the Eco-Label, once a company (Lucart) decided to undertake a wide-scoped advertisement campaign on national newspapers.

*b) ANPA (National Agency for the Protection of the Environment)*

ANPA was involved in the experimental network as the external actor with the highest technical expertise on the Eco-Label criteria. Preliminary meetings with the ANPA representatives were essential for the focal companies in order to establish their compliance with the criteria or (eventually) evaluate the necessary improvements to respond to the Eco-Label requirements.

The tight cooperative relation with ANPA was important for the promoters also to obtain information on accredited laboratories for each product group. In many cases (see Favini and Baldini in the next paragraph), ANPA provided name and references of accredited laboratories that were contacted by the focal companies to proceed in the Eco-Label adoption process.

During the second phase ANPA kept on signalling to the promoters companies that were interested in the Eco-Label, and could be involved in future networks.

### **“Intermediate” Institutions**

*a) CONFAPI*

Confapi is the Italian *Confederation of Small and Medium Enterprises Associations*. The promoters contacted this confederation to obtain its support within the project networking actions. Confapi considered the EU Eco-Label a useful environmental management tool for SMEs as well as a great opportunity to gain competitiveness with respect to larger companies.

The Confederation was involved in a sensitisation action towards SMEs: a letter was sent to all its associates explaining aims, characteristics and requirements of the EU eco-labelling scheme, emphasising the marketing opportunities linked to the adoption of the Eco-Label and providing references for interested companies to obtain more information.

*b) Centro Tessile Cotoniero (CTC)*

The CTC is a centre of services for textile companies operating in the north-Milan industrial district. In addition to technical analysis and test on products, this centre was offering support to textile companies in the adoption of the ISO 14000, Emas and Eco-Label, but with scarce results. The limited interest showed by textile companies in the district, especially with respect to the Eco-Label, prevented the CTC to apply for the accreditation of its laboratories.

As we will see in the next paragraph, the involvement of this actor in the textile network was crucial to overcome an “impasse” situation where no laboratory was available for interested companies.

CTC tightly cooperated with Madival for the test on the products. The centre has become a point of reference in the network and is developing contacts with other companies contacted by the promoters (for example Zucchi).

*c) IRI Management*

IRI Management is a training and consultancy service provider for the public-owned or –participated IRI group companies. Within the second phase of the project the promoters organised a training course together with IRI Management on the Eco-Label for the companies of the IRI group (October 21<sup>st</sup>, IRI Management, Rome).

This represented an opportunity for diffusing more information on the scheme and for training companies on how to adopt the Eco-Label and use it as an effective marketing tool. Some focal

companies participating in the experimental activities of the project were invited to present their experience.

### **Public Administration**

During the second phase of the project the promoters undertook contacts with the vice-Minister of the Environment, who has the governmental responsibility for the application of the EU Eco-Label. The vice-Minister supported the pilot project implemented by *IEFE-Bocconi* and was available for cooperating within a wider and more general action aimed at fully implementing the EU Eco-Label in Italy. The Ministry for the Environment is going to activate in the near future a promotion and development plan for incentivating the adoption of environmental policy voluntary schemes by companies. Cooperation with *IEFE-Bocconi* will be considered within this context.

This will be crucial, for example, to enact procedures for green procurement by Public Administration. The Ministry for the Environment will be a key actor in the promotion of future networks (see chapter 7) and in the diffusion of information and awareness on the Eco-Label-connected opportunities for consumers and producers.

### **Media and Events**

#### *a) Articles in newspapers and journals*

One of the most effective networking action aimed at supporting the focal companies in their marketing and external communication activities was the involvement of the media. Sensitisation of the media on the issue of the EU Eco-Label produced relevant results both in terms of providing visibility to the focal companies involved in the project and in terms of diffusion of information about the scheme to the public opinion.

In the second phase of the project, the promoters were able to publish several articles on journals and newspapers aiming at sensitising the stakeholders on the first companies approaching the EU Eco-Label in Italy.

These articles included a description of the scheme, an explanation of the participation procedures, an outline of the benefits and opportunities linked to the use of the Eco-Label and a report on the focal companies participating in the project.

The two most relevant articles were published to inform stakeholders about the first company that obtained the Eco-Label in Italy: the first on a very important newspaper ("La Repubblica") and the second on the nation-wide diffused WWF newsletter "Panda". Many other articles published by *IEFE-Bocconi* dealt also with the Eco-Label "start up" in Italy.

At project completion, the results will be published in articles on the most diffused Italian newspapers. Publications are already planned on many newspapers ("Corriere della Sera", "Panorama", "Espansione", etc.).

#### *b) Conferences and workshops*

Conferences and workshops were organised during the second phase of the project with similar purposes: granting public visibility to focal companies (for improving their environmental image thanks to the Eco-Label) and sensitising producers and consumers about the opportunities and potential benefits of the scheme.

These initiatives for public diffusion of information regarding the Eco-Label and the results emerging from the project took place both within the networks and at a general level.

In some cases a single initiative was dedicated to the Eco-Label, in others there was a participation of a project promoter who presented a report on the scheme (and/or on the project experience) within a more general initiative.

The following conferences and workshops were carried out during the second phase:

“Ambiente e competitività” (“*Environment and competitiveness*”), conference organised by *Bocconi University*, February 20<sup>th</sup> 1998, Aula Magna, *Bocconi University*, Milan – Presentation by Marco Frey on the EU Eco-Label and the DGXI pilot project

“Nuova norma” (“*New legislation*”), conference organised by Associazione Ambiente e Lavoro, October 2<sup>nd</sup> 1998, Teatro Nuovo, Milan - Presentation by Fabio Iraldo on the EU Eco-Label and the DGXI pilot project

“Seminario sull’applicazione del Regolamento CE 880/92: opportunità per le imprese” (“*Workshop on the application of EC Reg. n.880/92: opportunities for companies*”), workshop organised by IRI Management, October 21<sup>st</sup> 1998, Iri Management, Rome – The whole workshop was dedicated to the presentation of the EU Eco-Label, Marco Frey and Carlo Alberto Pratesi presented the experiences of some focal companies

“Eco-labelling for a sustainable future – Green Goods V”, conference organised by OCDE and German Federal Ministry of the Environment, October 26-28<sup>th</sup>, 1998 in Berlin - Fabio Iraldo gave a presentation on “Promotion and diffusion of the EU Eco-Label: a network model” concerning the experience of the DGXI pilot project

“Eco-Label in Italia: sviluppi attuali e tendenze future” (“*Eco-Label in Italy: developments and future perspectives*”), workshop organised by Legambiente within the fair Ecomoda, November 25<sup>th</sup> 1998, Posteria, Milan - The whole workshop was dedicated to a discussion on the start up of the EU Eco-Label in Italy, presentation by Fabio Iraldo on the DGXI pilot project experience

“Concerted Action on Voluntary Approaches – First Workshop”, workshop organised by the University of Gent, November 26-27<sup>th</sup> 1998, Gent – Fabio Iraldo gave a presentation on “Developing voluntary approaches in product policies: a network approach” concerning the project experience

The results of the pilot project were also presented within many training courses on environmental management organised by SDA (School of Management) of *Bocconi University* and by other institutions (University of Pisa, University of Pavia, Istituto per L’Ambiente, etc.) between February and December 1998.

### **6.1.2. Case Studies**

In this paragraph we report some of the case studies that were carried out in the second phase of the project. In describing the case studies, we pay particular attention to:

the circumstances in which the decision by the focal company to adopt the Eco-Label has matured (market situation, competitive context, industrial sector conditions, etc.)

the networking actions that have been implemented by the promoters to favour the adoption process

the potential and actual use of the Eco-Label for the focal company marketing activities (in particular, we shall learn how “early adopters” can improve their market results by making use of the label<sup>1</sup>)

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<sup>1</sup> It is self evident that good performance by “early adopters” means that their methods will be imitated throughout the entire sector in which they operate. Good commercial performance by innovators can notably reduce the adoption time-curve for the entire market.

In order to better focus the circumstances in which the decision of adopting the Eco-Label (and, consequently, of participating in the project experimental activities) has matured for the focal companies, it is useful to introduce an overview of the Italian situation at the beginning of the project.

*a) Overview of the Italian situation*

Italian attitudes towards ecological products

The relationship between environmental problems on the one hand, and public awareness and consumer attitudes, on the other, has long been studied in the most advanced industrial nations. The experts' findings essentially boil down to two attitudes (Eurisko, 1998). The first is that of the "eco-optimists": all those who perceive a trend of growing ecological awareness in ever wider social sectors. In their view this should induce all companies to switch over to environmental friendly products and processes. The second attitude is that of the "eco-sceptics". It is shared by all those who attribute the limited diffusion of eco-products to citizens' irresponsibility.

In European terms, Italy comes out quite well as regards consumer attitudes. The Italian environmental culture would appear to be higher than that of Germans', Britons', the Japanese's, Canadians' and Americans' (International Social Survey Programme). Italian environmental awareness is expressed in the willingness to take individual action and make sacrifices in either money terms - paying higher prices for eco-sustainable products - or in social and psychological terms - accepting lower consumption standards (in this respect Italy ranks first).

While this data could be regarded as re-assuring for companies inclined to start up green marketing initiatives and approaching the Eco-Label (such as our focal companies), we must, however, take note of the considerable difference between what the interviewees declare and what they do in practice: simply by studying the declarations given by interviewees on their - and unimplemented - behaviour it is easy to overestimate favourable attitudes towards ecology. An Italian study (The Department of Psychology of the University of Turin) on inclination towards ecological behaviour in terms of:

- *verbal commitment*
- *actual commitment*
- *affect*
- *knowledge*

Found that there is a very weak bond, in Italy, between *actual commitment* and *verbal commitment*, and that the former is not influenced by either *affect* or *knowledge*. *Verbal commitment* seems more central, insofar as it is connected to *actual commitment* and, above all, to *affect*. This would confirm Italians' inclination towards a more verbal than actual environmental awareness.

More generally, green consumption among Italians is distinguished by the following common traits:

- *inconsistency*; the individual consumer adopts an ecological approach to some products and not to others;
- *uncertainty*; there is still much confusion about what really is ecological and what not;
- *persuasiveness*; there is no necessary correlation between environmental attitudes and social - economic parameters. Ecological consumption, in a more or less pronounced form, is to be found in highly different contexts.

These considerations on consumer behaviour must be borne in mind in order to understand the strategies of the focal companies considered as Eco-Label early adopters.

### The competitive positioning of ecological products

On the basis of the first findings of the first phase of the project, as we have seen in chapter 4, we can draw conclusions applicable to more general contexts.

Green products do not easily find favour with consumers in Italy, even when their launch is accompanied by considerable marketing investment. In some cases sales notably underperformed forecasts, while in others (for example, detergents) the message had to be altered. The ecological message was played down and its comparative performance stressed. The “eco-sceptics” have come to claim that a product's ecological quality by itself is insufficient to influence the market, and that excessive stress on environmental features can, in the communication strategy, lead to the product's being perceived as qualitatively inferior.

In theory, an ecological product could be of interest to the majority of consumers, but buying behaviour is the result of a comparison between products that perform similar functions. An objective evaluation of the market chances of a green product requires careful comparative analysis of the performances offered by the various competing brands in the light of the different attitudes adopted by consumers.

A market situation into which ecological brands (and/or Eco-labelled products) are to be introduced can be described in terms of a positioning map generated by two parameters:

The *subjective benefit* of the product, i.e. the perceived advantage from buying and using a given product compared to those obtained from its other more or less ecological competitors. The subjective benefit can be expressed as the relationship between perceived quality and price, which is the concept of the product's "value" in the classical sense of the term. This parameter is also able to make distinctions in terms of products that are "friendly" towards the user himself (biological foods, herbal products, textiles without dyes, etc) which refer to "personal ecology". These do not boast an inferior environmental impact than their competitors (some cases their impact is actually greater).

Therefore the top part of the map comprises products characterised either by a more advantageous price (hard discount) or by better performance in the consumption phase.

The *collective benefit* of the product refers to the consumer's perception of its impact upon the environment during its natural life cycle.

The right hand side of the map sets out the products to be preferred for their low environmental impact. In terms of marketing their positioning may be due to objective variables or to stereotypes/ prejudices.

#### *Subjective benefit*

|                                |                                |
|--------------------------------|--------------------------------|
| <b>High</b>                    |                                |
| <i>2<sup>nd</sup> quadrant</i> | <i>3<sup>rd</sup> quadrant</i> |
| <i>1<sup>st</sup> quadrant</i> | <i>4<sup>th</sup> quadrant</i> |
| <b>Low</b>                     | <b>High</b>                    |
| <i>Collective benefit</i>      |                                |

By attributing two levels to every axis (high and low) it is possible to make some conjectures about the four quadrants thus created within the map.

#### *1<sup>st</sup> quadrant*

This is the site for poorly made, low-value products with very little ecological merit;

*2<sup>nd</sup> quadrant*

These are products with high subjective benefits but perceived as being non-ecological;

*3<sup>rd</sup> quadrant*

These products can adequately meet subjective and collective performance criteria;

*4<sup>th</sup> quadrant*

These are highly performing products for the environment, but with a low-use performance in comparison with what the competition offers.

Let us suppose we have to analyse a market made up of various offers occupying varying positions on the map. It is clear that the first quadrant products have few market chances while those in the third are to all effects and purposes the most competitive as they activate all the demand segments (why do without ecological performance when it does not affect the price or the performance of the product?) In reality, however, 3rd quadrant positioning is not very frequent. Italians tend to associate high ecological performance with poor performance. On the other hand, it is also true that there are few cases in which a product can meet both needs, equally effectively. Thus, this positioning ends up by being a company objective, rather than a starting point.

Starting from the supposition that positioning in the third quadrant is the most convenient for the community, for individual consumers and for the companies on the look out for business opportunities by exploiting the environmental variable, let us see how the Eco-Label can sustain and promote this positioning.

There are two strategic paths:

- augmenting the perceived ecological performance of quality products, or moving products in the second quadrant round to the right;
- augmenting the perceived quality of ecological products by moving them from the fourth to the third quadrant.

The strategic paths that have aroused focal companies' interest in Eco-Labeling are varied and can be differentiated on the basis of:

- market situation;
- the competitive position of the company;
- the trade's attitude;
- the consumers' attitude;
- the types of product/ production.

On the basis of this framework we can now analyse the situation of some of the focal companies involved in our experimental activities.

*b) The Baldini Vernici case*

Paints is an area in which the absence of Italian eco-labelled companies is very surprising as it is the sector in overseas markets with the highest number of brand labels.

The interest of Baldini in the Eco-Label acquisition process forms part of a much wider strategic path. The company has started up a quality certification process and for years it has been investing in the ecological compatibility of its production, as demonstrated by the effort to create lines of water-soluble paints. Furthermore, Baldini was one of the first Italian companies to apply for and obtain the Blau Angel label. It has also supported the WWF Italy by supplying its products free-of-charge to a WWF natural resource in Tuscany.



### The market

The market for building paints has, after years of torpor, recently began to grow. The arrival in Italy of large do-it-yourself stores has set off a process of transformation, influencing both supply and demand. The market sales for building paints has been estimated at around L(Italian lira) 1,112 billion, with a production value of around L847 billion.

### The company

Founded by Giuliano Baldini in 1974, in a few years the company established a competitive position in the Italian market by virtue of its innovative, entrepreneurial strategy and constant technological renovation.

Notwithstanding the negative trend of the market, company profitability has increased. Total sales for 1997 came to L58 billion (75% obtained in traditional sectors and 25% in chain stores). Sales per employee grew from 370 million in 1992 to 520 million in 1996. Investments have constantly spiralled upwards, having exceeded L20 billion in the last 5 years. The company has a payroll of 100 in its factory in Porcari (Lu).

In 1997 it produced and distributed 17 million litres of product, accounting for a market share (in value terms) of around 8%. The company is starting to expand into Europe, North Africa and South America.

The R&D laboratory of Baldini Vernici is responsible for the development of technology, the identification of new products and the qualitative upgrading of existing products to meet market requirements. The various manufacturing phases are wholly automated - from production to packaging. The "DPC Cycle" of Baldini Vernici (Dosage - Protection - Control) is a highly advanced in terms of the rationalisation of the productive processes and has improved the qualitative level of the water-base paints produced.

Another distinctive element of Baldini Vernici is the paint-packaging plant. Thanks to this plant, which is the first of its kind in Europe, the company has acquired the flexibility necessary to produce product lines for different distribution channels. Filling, packaging, palletising and transport are all wholly automated.

### The products

Baldini Vernici has adopted a multi-channel strategy for handling such a variegated market. Alongside Baldini Vernici (1200 items) for the traditional distribution channel, there are the brands *Mister Color* (320 items) for the large food chains and *Lo Specialista di Mister Color* (1200 items) for the specialised do-it-yourself chains.

The professional line, Baldini Vernici, by being based on the Baldini Tintometric Tecnicolor system, makes it possible to supplement the original 187-colour line with an infinite range of colours.

### The consumers

Product knowledge in the paints market is heavily lopsided. The Italian consumer - whether a private /do-it-yourself citizen or an artisan/applier - demonstrates total ignorance of the technical features of the product. But at the same time he is highly susceptible to the environmental and, above all, health aspects of the products. The communication campaigns undertaken by companies in the trade have only added to the confusion (for example some water-soluble brands speak, erroneously, of "non-toxicity"). Consumption and post-consumption behaviour are also incoherent (for example in disposing of left-over paints) and demonstrate a state of growing confusion.

The low-ecological perception of paints by consumers is the result of the prejudice with which the sector as a whole is viewed, and primarily due to the absolute unintelligibility of the product.

The main stereotypes reckoned by Baldini Vernici among its customers are:

- paints, by definition, pollute (they damage whoever uses them and the environment);
- the only non-polluting paints are the water-base ones.

Baldini does not possess specific data on the ecological attitude of consumers, however, he has found that the demand for water-paints has been increasing at an annual rate of 10%.

### The competition

The Italian paint market is highly fragmented. The five leading manufacturers account for less than 50% of sales. The leader Max Meyer has a 12% share. Baldini, ranking fourth, has 8% of the market.

Apart from Max Mayer, nobody else has seriously invested in a branding policy. Thus the image and the notoriety of individual brands are extremely limited.

Therefore, if nobody has hitherto decided to implement the Eco-Label it is not because of structural resistance to the subject of ecology or the technical impossibility to realise it. It is simply due to the very poor cultural environment in which the entire trade operates.

Nevertheless, Baldini is convinced that its market, while having limited interest in innovation (including also the large-sized companies), will quickly emulate the choices made by its competitors. Therefore, Baldini holds that there will be many other companies applying for the Eco-Label after having noticed it on its products.

### The trade

There are two distribution channels: grocery and traditional. Baldini does business in both channels with distinct brands, and as regards the competition, it is relatively strong in grocery. The trade has not shown an appreciable interest in the subject of ecology. However, it probably will as soon as consumers begin to express their preferences.

The most significant part of the distribution market is still composed of traditional sales outlets: paint shops, hardware stores and wallpaper shops handle about 90% of all sales.

In terms of total sales, the trend is towards ever-greater, more modern and specialised sales outlets. In the last five years the number of large distribution outlets has trebled: from 78 to 200 (24,4% of which are situated in Lombardy). The sales area has grown correspondingly, moving from 157,534 to 578,605 square metres.

Motivations to adopt the Eco-Label according to Baldini's marketing strategy

Baldini, along with many other paint manufacturers, are positioned in the second quadrant, good products that are not, or better, are not perceived as *ecological*. Thus, in order not to confuse the consumer - who already experiences growing difficulties in fully understanding the technical characteristics of product, from its function to how to use it - Baldini has gone so far as to not apply the Blau Angel onto the packages.

The introduction of the European label should permit Baldini to move its positioning from the second to the third quadrant. The competitive advantage attributed to Eco-Label by Baldini is the result of the following factors:

- the label's official (and independent) character is much more effective than any company declarations regarding the ecological character of its products;
- it overcomes the risk of that all the companies in the trade self-certify themselves as ecological;
- the brand has a highly "visible" character and does not create additional confusion among consumers;
- the European label ensures the maximum homogeneity possible among markets, and thus, maximises communication efficiency;
- the fact that the same label is used elsewhere, in more "environmental friendly" sectors, has a cross-sector effect, benefiting the trade as a whole;
- inside the sector, it is finally possible to forget the "water-base paints = ecological goods" stereotype and a more correct type of differentiation can be introduced, employing sophisticated criteria and not prejudices and to the benefit of non water-paints.

On these bases, Baldini decided to participate in the project experimental activities in order to prepare for the adoption of the EU Eco-Label. Baldini will only use the Eco-Label on 2-3 brands/ product lines. The entire product range will not, therefore, be presented as ecological.

### Networking actions within the project and experimental activities

Baldini was firstly contacted following a suggestion of another focal company operating in the same industrial district: Lucart (see next paragraph).

The promoters met both Baldini's marketing retail manager and its environmental manager to explain the project objectives and discuss the opportunity of adopting the EU Eco-Label. The support provided by the promoters in terms of description of the Eco-Label connected benefits and presentation of possible co-marketing strategies convinced Baldini management to participate in the project.

The first support activities was aimed at providing Baldini with detailed information about the Eco-Label environmental criteria and on application procedures. A meeting with the environmental manager of the plant was devoted to carrying out a feasibility study according to the criteria for indoor paints.

Once the technical feasibility of the Eco-Label adoption was established, the promoters organised a contact between Baldini and the Comitato (Italian competent body). This activated an important information and backup support for Baldini for the adoption process.

Another support activity provided to Baldini was the search for an accredited laboratory. As we have seen, completing the application procedures is not a trivial step to take for the interested companies. The promoters favoured cooperation between Baldini and the accredited laboratory by identifying three potential partners and by signalling the references to the focal company.

A relevant support activity was also undertaken as to marketing activities. Although Baldini had not obtained the Eco-Label yet, the company was interested in cooperating with the promoters for the creation of a network aimed at providing external communication to public opinion and stakeholders about the EU Eco-Label and about the project experience.

This effort concentrated on a joint media campaign between the focal companies involved in the project and coordinated by the promoters. Only one of this companies (Lucart) obtained the Eco-Label during the project, therefore it was utilised as a "bridge-head" to support the promotion activities.

This support action aimed at emphasising the Eco-Label importance for consumers and producers by means of a press campaign. In addition to many articles on newspapers (dealing with the Eco-Label, the *IEFE* project and the focal-companies as a group of front runners, see also last paragraph), a specific condition allowed for a very effective information campaign: two of the most successful focal-companies (Baldini itself and Lucart) as we have seen operate in the same geographical area and are located hundreds of meters from each other. This area, the Lucchesia region in Tuscany, is one of the (few and) wealthiest industrialised zones in central Italy, where a large number of innovative SMEs are concentrated. This image is really strong and effective in Italian society, thus these companies decided to implement a joint information campaign on the Eco-Label emphasising the role of the whole "industrial district", with the support of *IEFE-Bocconi*. This was favoured by the fact that Baldini and Lucart already had the same press agent before the beginning of the project.

This press agent was involved as an important part of the network supporting both Baldini and Lucart for their marketing activities.

A graphical representation of the network for marketing activities is provided in the next paragraph (Fig. 3).

### The problems encountered

The acquisition of the Eco-Label was a slow process. Long delays were experienced on account of the technical analyses. The company executives declared that without the professional help from *IEFE-Bocconi* it would have been impossible to complete the process.

#### *c) The case of Lucart, a tissue paper producer*

The Cartiera Lucchese (Lucchese paper-mill) was the first company in Italy to apply for and receive the Eco-Label. The fact was a source of great interest for the institutions and the media.

### The market

Paper making is a market sector with a strong Italian presence. Italy, with a production of about 6,95 million tons, is the tenth-largest manufacturer in the world. However, in terms of consumption, it ranks seventh (8.25). The sector employs 25,700 persons.

The industrial area of the Lucchesia is typically associated with this type of production. The Cartiera Lucchese has been producing single-sided calendered wrapping paper for thirty years. At the end of the 1980s it branched out into *tissue* paper and then alongside paper from virgin cellulose it added re-processed, de-inked paper made from pulp.

### The company

Of the companies in the sector, Cartiera Lucchese is known for its high level of environmental awareness. Set up in the 1930s, in the province of Lucca, it was the first company in Italy to introduce de-inking techniques on pulp for the production of high-quality tissue paper. The company possesses three factories: the first at Porcari (Lu) producing wrapping paper, a factory at Diecimo (Lu) producing tissue paper and one recently acquired in France to produce tissue paper for non-domestic markets. The combined productive capacity of the two factories in Italy is over 200,000 tons per year. The payroll is about 630. In 1997 it posted total sales of L290 billion and net profits of L13 billion.

It is noteworthy that in no part of its highly technological cycle are harmful substances employed:

- the production of paper mainly entails the use of pulp paper;
- the bleaching of pulp is carried out with oxygen instead of chloride;
- process waters are treated and recycled;
- solid waste is used in other manufacturing activities.

### The products

In domestic and foreign markets Lucart addresses both the “consumer” and “community” sectors with different product lines and segment-specific marketing policies. Lucart is an “umbrella” brand. The main “consumer” products are: Eco Lucart, Bianca Lucart, Novità, Azalée, Prisma, Smile, Cigno and Dolcé. The leading “community” brands are: Verde Lucart, Strong Lucart, Brown Lucart, Velo deink, Velo pure pulp, Velo natural.

In addition, the company produces own-label brands for important European consortiums and distributive chains.

### The consumers

In 1997 Lucart commissioned two market studies on client expectations: one addressed to consumers (over one thousand interviews) and another to major distributors (six retail chains).

It emerged that the consumers attach ever greater importance to the ecological nature of products. They will prefer a green product on condition that:

- the products do not cost more than ordinary market brands;
- the products and packages have practical and demonstrable ecological features - better if tested, examined and guaranteed by serious and independent institutions;
- they are equal in terms of quality and efficiency to traditional products;
- the goods are easy to find.

In practice, consumers are convinced that a product is "really" ecological only if its "look" is inferior to that of ordinary products (and possessed of inferior performance). Their expectations do not extend to products that are both “good” and “ecological”.

### The trade

Cartiera Lucchese's products are found in important distributive chains (Esselunga, Pam, Lombardini, Promodes, Lidl and LeClerc) and in numerous European countries (France, Spain, the United Kingdom, Germany and Greece), which represents one third of its production. It emerges from Lucart's survey that

distributors are willing to introduce an assortment of eco-compatible products so long as the range is sufficiently great for consumers to notice and understand them. In terms of pricing policy, it is suggested that prices be pitched on a par with the brand leader or just under par to encourage first-time buyers. Marketing ploys are also suggested so that consumers can get to know and try the products ("in store" promotion). Buyers believe that eco-compatible products will be in greater demand in future as they note:

- greater attention is being given by the institutions to differential refuse collection;
- the demand for higher quality in living standards by citizens;
- a greater interest in the environment;
- specific new products.

#### Motivations to adopt the Eco-Label according to Lucart marketing strategy

For Cartiera Lucchese the application (and adoption) of the Eco-Label constitutes a "natural" conclusion of a process that commenced many years earlier.

Before adopting Eco-Label, Cartiera Lucchese found itself in the fourth quadrant - ecological products perceived as not performing well.

The paper-mill came into being as a company specialised in wrapping paper, 80 - 90% produced from recycled paper. The ecologically friendly nature of the process was an intrinsic feature of the production and in no way a marketing tool except insofar as it represented a cost- and thus price- reducing factor.

In 1993, Lucart, with the enlargement of Diecimo and the setting up of Cartotecnica, went into the tissue market. It targeted the end user and appealed to the consumers' ecological receptivity.

A line called "Ecologica Lucart" was launched - the first tissue paper to be made in Italy with recycled paper. As it was cheaper than comparative products it was easy to place in the community market but it was not accepted in the consumer segment (the price difference with respect to cellulose paper is modest) notwithstanding the paper's excellent quality (it is much whiter than other ecological paper). It should have been positioned in the third quadrant, but consumers did not acknowledge its merits.

Lucart then decided to concentrate upon a number of brands in the ecological segment, in order to propose high-ecology, poor-performance versions (fourth quadrant).

In 1996, in the wake of a competitor's advertising campaign (which had a greater ecological impact than Lucart's) and in consideration of the fact that the market was more mature in terms of ecological receptivity, the company launched Ecolucart, an up-market ecological line (in terms of price and quality), which with respect to the preceding version came with a totally biodegradable packaging made from maize starch (the advertising slogan was "ecological outside and inside").

Since 1993 Lucart had completed a positive feasibility study with respect to the relevant EU Eco-Label criteria, but it was not persuaded of the real market opportunities connected with eco-labelling. As we have anticipated, this company initiated a cooperation with a market research institute for carrying out surveys on consumer attitudes and buyer availability to purchase green products. We anticipated the result of the survey among the buyers. The second one (among consumers) was even more impressive. With the support of this professional poll provider, Lucart obtained significant results: 17% of the consumers declared their intention to buy an ecological product, the large majority of them said that their purchase was conditioned to a credible third-party certification. This has been one of the strongest motivations for Lucart to be the first Italian company to apply for the EU scheme.

Now Lucart has obtained the Eco-Label for the Ecolucart line. The label guarantees the consumer the product's positioning in the third quadrant, where the two variables of ecological and use performance are reconciled.

In other words, Eco-Label's function is to eliminate consumer prejudices about tissue paper, namely the conviction that performance is inversely proportional to eco-friendliness.

### Networking actions within the project and experimental activities

Since Lucart was completing the application procedures at the beginning of the project experience, the experimental in-field activities focused on a support action for the promotion and marketing of the eco-labelled products.

Two kinds of actions are particularly interesting in this perspective.

The first concerns actions towards retailers. Three of the focal companies involved in our project (including Lucart) were suppliers of two among the largest Italian retail chains (COOP and ESSELUNGA). *IEFE-Bocconi* coordinated a concerted pressure action to sensitise these retailers on the opportunities linked with the Eco-Label. The fact that three of their most important suppliers of, respectively, paper products, paints and detergents were actively participating in a project for Eco-Label adoption convinced the two retailer to pay relevant attention on the EU scheme. This produced positive results in terms of Eco-Label visibility.

As we have seen, Coop did not cooperate in any of the project specific actions, but it was eager to value the first Eco-Label obtained in Italy by Lucart (an example was the emphasis given to this fact in Coop newsletter). In spite of its cautious attitude towards the eco-labelled products, Coop is available for participating in a more general action aimed at launching the EU Eco-Label in Italy.

Esselunga, also as a consequence of the press campaign described herebelow, contacted the promoters in order to gather more information on the Eco-Label and on the project. Later in the project experience, Esselunga has contacted Lucart to request the supply of tissue-paper product suitable for EU Eco-labelling. As we have seen (Paragraph 6.1.1) Esselunga is going to apply for the EU Eco-Label on its own brand product-line supplied by Lucart.

The second action concerns the activities to sustain focal companies' marketing of eco-labelled products, coordinated by the promoters.

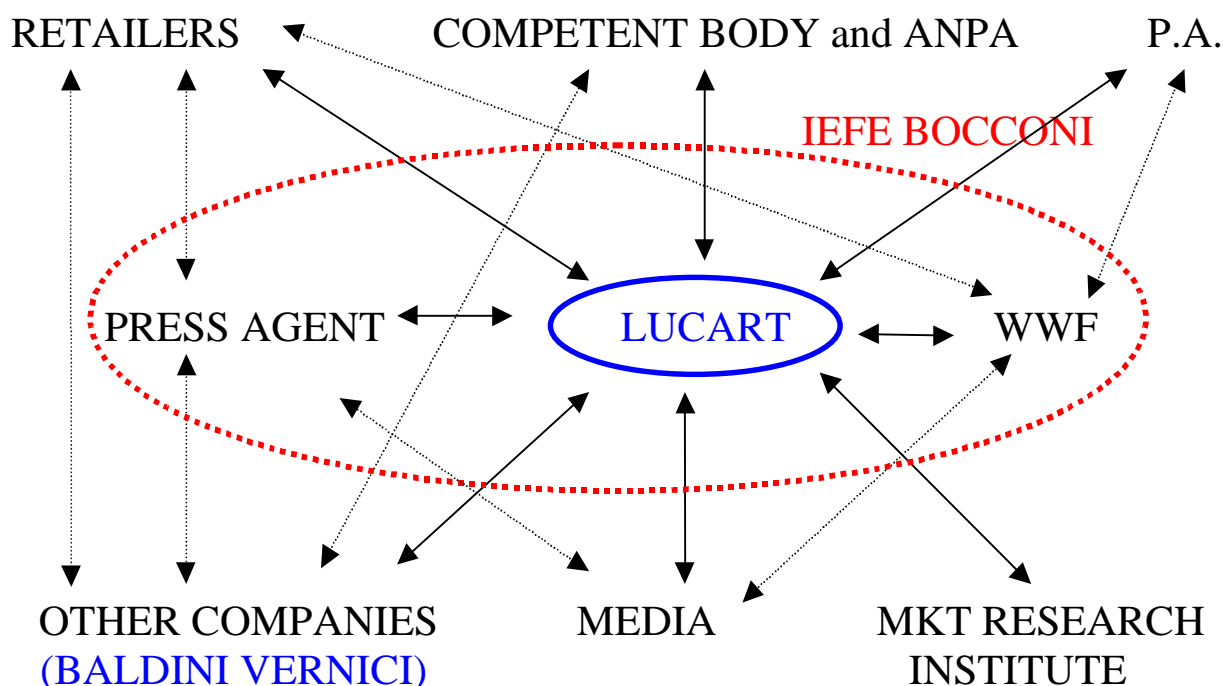
The network approach was utilised to increase the awareness of public opinion and consumers with respect to the Eco-Label. Several meetings were organised between the company, its press agent and the promoters to define some promotion initiatives by means of a press campaign.

This press campaign targeted two different external actors:

- consumers
- business actors (retailers, competitors, suppliers, other companies)

The first target was reached, for example, by publishing the article on the WWF newsletter Panda (see paragraph 6.1.1: media and events). The second target was reached by publishing the article on the newspaper La Repubblica, in a special edition addressed to business actors ("Affari e Finanza", see paragraph 6.1.1)

The network created by the promoters for supporting Lucart (and other focal companies) marketing activities is schematised in fig.3.

**Fig. 3: NETWORKING FOR MARKETING ACTIVITIES**

#### Promotional activities to launch the product

The contract to award the Eco-Label was signed by Lucart on 23 July 1998. The acquisition of the label took place immediately after the launch of the product and was accompanied by campaigns to promote the product's image:

- magazine advertising boosts to draw attention to the Eco-Label and the ecological nature of the product;
- an advertising contest based on the product and aimed at consumers;
- "telepromotion";
- a co-operation strategy with the trade for the product's merchandising;
- press office promotion.

#### The first results

Toilet paper sales shot up (sales doubled with respect to the preceding "Ecologica Lucart" line) and consumer attention increased.

#### The problems encountered

Cartiera Lucchese's investments in the process for obtaining the European Eco-Label began some time ago and required the introduction of all the measures necessary for bring the production process and the product up to the E.U.'s ecological standards. Certification entailed overcoming a number of obstacles, such as:

- the overhaul of specific ecological criteria for the use of toilet paper;
- the lack of adequate procedures for the accreditation of laboratories to the Eco-Labeling scheme.

#### *d) Cartiera Favini, a copy-paper producer*

The companies hitherto discussed chose to differentiate themselves in the Italian market by using the Eco-Label. In the case of Favini, ecological differentiation has also been implemented and strongly accentuated. This positioning, which we may call "ecological leadership" has, in other markets, been more of constraint than an incentive to obtain the Eco-Label. In the case, for example, of white-goods, companies already with their own ecological stance, explicitly declare that it would be a disadvantage for them to become "an early adopter" as this would only benefit their competitors (see chapter 3). The latter, who would also be able to obtain the label, could then easily reduce the ecological difference - as perceived by the consumer - between them and the leaders (and the same applies, to some degree, for the textile sectors). In other words, according to these companies, the image of market leader would promote the Eco-Label and not vice-versa.

#### The company

The company was set up in the Venetian Republic in the eighteenth century. In 1906 it was acquired by the Favini family. In 1975, the copy-paper division was set up and in 1987, a network of shops with franchising agreements was created *Favini Paper Point*. In 1995 *Geopolimeri srl* (Tecnologie Vventi Applicate - Applied Living Technologies) was set up. In 1997 Favini received the ISO 9001 and ISO 14001 certifications.

Today about 40% of its production (L50 billion) is exported. Its market share in Italy is around 0.3% by volume (and 0.8% by value).

The strong differentiation of the product introduced in the early years of the 1990s enabled it to move against the course of the declining market trends which were then prevailing.

Favini has not targeted recycled paper. Instead, at the end of the 1980s it made investments in TCF paper production.

#### The products

In 1992 Favini manufactured the first paper using alga from the lagoon of Venice *Alga carta*. In the same year the high-quality *Tree free* paper saw the light and in 1993 the first paper made entirely of natural flour husks was produced. In 1996 there was *Orange paper*, made from natural citrus squashing residues. Its ecological production is not based on recycling but upon the use of natural raw-material waste. It provides very original and aesthetically pleasing products, which the consumer perceives as ecological. All its products have met with a discreet market success.

#### The competition

According to Favini the competitors interested in and with the requisites to apply for the Eco-Label for copying paper are very few (probably only Cartiera Fabriano). The reason does not lie so much in conforming to the scheme - in practice it is sufficient to adopt a particular cellulose purchasing policy - as in the investments needed for copy-paper- plant.

#### The trade

Distributors are sufficiently interested in the phenomenon of ecological paper. Favini, for example, found that Coop and Ipermercati had plans for departments dedicated to ecological products (and Favini is examining the possibility of co-operation with Lucart).

As regards traditional distribution, it is necessary to bear in mind the wholesaler "filter", who at present show no interest at all in ecological products.

#### Motivations for Eco-Label adoption in Favini marketing strategy

Favini remains strongly entrenched in the third quadrant (high quality, high perception of eco-friendliness) without having made any strategic decision to get there. The development of its new



products happened by chance, in the course of research into the aesthetic differentiation of products, and not as the result of a green marketing strategy.

Today the perceived high quality and price of its products, about double the market average, places Favini in a rather limited (the market share by volume is certainly very low) but very profitable segment. The media inside and outside Italy (including national TV networks) has shown great interest in the originality of its production. And there have been many attempts to copy the products but a world patent now safeguards both the product and the production process.

Having adopted a "global segmentation" strategy targeted on the "artistic paper" niche, its overseas presence must necessarily grow in order to set a development in motion that, in Italy, is cramped by the product's market positioning.

Thus the decision to apply for the Eco-Label must be seen in terms of an international marketing strategy (it is the number one company in Europe applying for copying paper). Favini's only other alternative in order to be equally competitive in non-domestic markets, would have been to use a national brand (such as *Swan*- the nordic environmental label). However, the Eco-Label has more cross-national impact than such national brands.

The product to be Eco-Labelled will be produced as reams with a 20-colour range.

### Networking actions within the project and experimental activities

Although this company at the beginning of the project had just obtained ISO 14001 certification, it was barely interested in the Eco-Label. Favini later on decided to catch the opportunity of participating in our network, and evaluated the feasibility and potential benefits of participation in the EU scheme.

The promoters provided their support especially for the technical feasibility study and for the application procedures, insofar as Favini rapidly assessed the market and competitive opportunities to be worthy. A couple of meetings between Favini's environmental manager and the promoters were sufficient to establish the complete conformity of the company product and processes to the Eco-Label criteria. *IEFE-Bocconi* promoted contacts between the company and the Competent Body, in order to clarify some minor doubts and initiate the application procedures.

As these evaluations proved that the company should not produce relevant efforts to enter the scheme (because of its high environmental performance) and could gain competitive advantages with respect to competitors relying on national labels, Favini decided to apply for the Eco-Label.

At this point, the "network approach" turned out to be very useful for the company, that needed to find an accredited laboratory, to cope with the requests of the Competent Body (who asked for further environmental investigation beyond the Eco-Label criteria), to involve ISO 14001 verifiers (in order to get pre-certified analysis) and to contact suppliers (in order to obtain pertinent self-declarations regarding raw materials). The promoters supported the company in creating some of these relations with external actors, in a networking perspective.

Particularly interesting is the cooperation with another focal company (Lucart). By means of the promoters, Favini contacted Lucart both to obtain clarifications on the adoption process and to get suggestions regarding an accredited laboratory for paper products. As we have anticipated, once Favini will obtain the Eco-Label, there are prospects of future cooperation between the two focal companies also with respect to possible joint marketing strategies towards retailers and buyers.

Favini's networking relations in preparing Eco-Label application are represented in Fig.4.

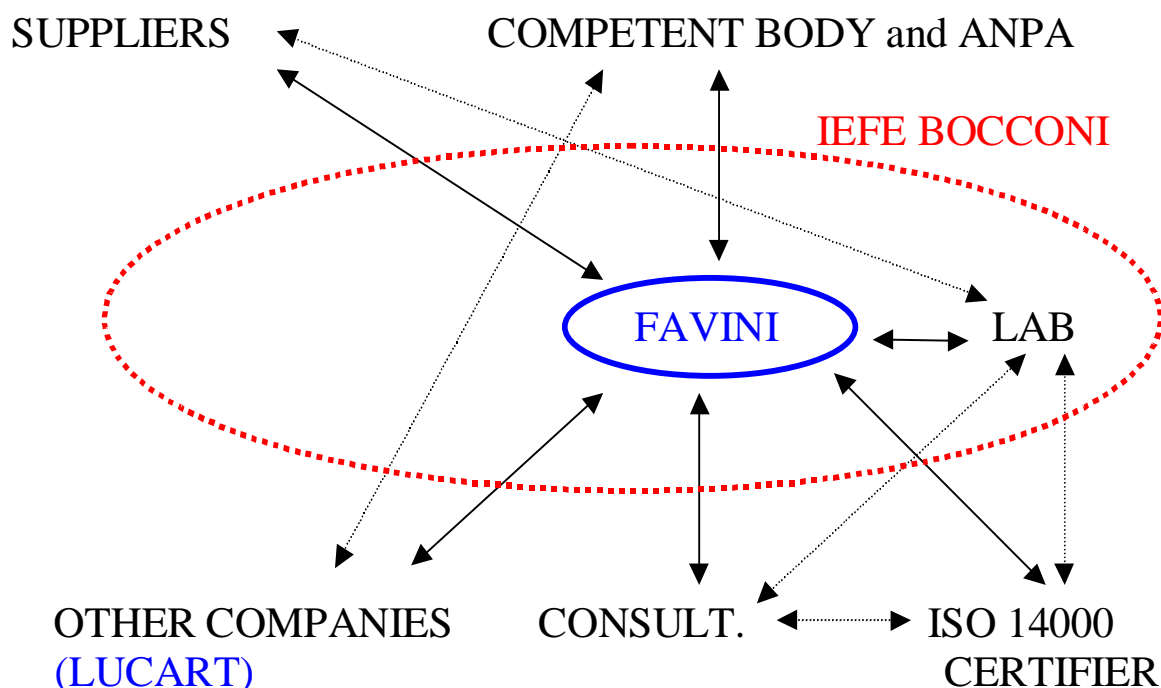
### Problems encountered

Favini has not encountered particular problems in the application process for the Eco-Label, and even the costs involved were held to be "less than expected".

### The prospects

On December 15<sup>th</sup>, Favini will present the documentation necessary for the Eco-Label application. Among the most immediate prospects there is that of producing copying paper on behalf of some major trade-names interested in using the Eco-Label (Xerox for example).

**Fig. 4: NETWORKING ACTIONS FOR THE FEASIBILITY STUDY AND APPLICATION PROCEDURES**



*e) The case of the textile sector*

One of the experimental networks the promoters started up during the project is particularly interesting as it involved different focal companies that were supported from the very first step of the adoption process to the last one.

**The companies**

Madival produces bed-linen, curtains, carpets and other textile articles for interiors. Madival products are addressed to the upper share of consumers, being high quality and high priced goods. This company has traditionally carried out marketing strategies focused on the high quality and performance of its production. A minor percentage of its production is sold directly to consumers in the final market, while a higher percentage is sold to other companies (traders or producers on their own) that sell to the final consumers with their own brands.

Bailo is a producer of sportswear for mountain skiing and trekking. Since this company created the world-wide famous T-shirt brand "Think Pink" (which was subsequently sold to another company), it maintained a strong interest in T-shirt production. Bailo produces a product line of T-shirt and, at the time we contacted it, was looking for market opportunities to launch an innovative brand. The environmental-friendly market niche was one of the options considered by Bailo.

As we will see, also Zucchi at a late stage was involved in the networking actions, even if this company did not officially take part into the project activities.

### The competition

According to the evidence collected during the first phase of the project, the textile sector is very fragmented and mostly populated by SMEs. Even Zucchi, which is considered to be a market leader in Italy and the rest of the world, should be considered a medium company, if we look at the criteria on turnover and personnel defined by the European Commission.

This, on the one hand, makes the market competition really tight for direct competitors (which operate in the same niche or in the same geographical area) but, on the other, leaves room for innovative SMEs which are eager to face new competitive challenges, such as the environmental marketing one.

Although Zucchi is perceived as a leader with respect to environmental image, many other producers are stiffening their strategies to be able to compete in this field. This stimulated the interest of many SMEs towards eco-marketing opportunities, such as those connected with the Eco-Label.

### The trade

Specialised distributors are not very sensitive towards the environmental performance of textile products, quality and price still being the most important competitive variables. There is a growing attention in the wholesaler companies, such as those mentioned in paragraph 6.1.1, towards the environmentally sound features of some large-consumption textile products, though. According to all the producers, the requests of the trade regarding environmental quality will definitely increase in the near future.

### Motivations for Eco-Label adoption

All the companies involved in the project (including Zucchi) are approaching the Eco-Label as an innovative and useful marketing tool for the future competition arena. These companies need to rely on a credible guarantee for the environmental quality of their products. In Madival and Bailo's opinion, the Eco-Label represent a chance for being a "front runner" in this new market niche, and this could be exploited as an opportunity to improve the company's image. The two focal companies agree on the importance of being the first to adopt the label. This would enable them to become a point of reference for the future developments of environmental-oriented consumption trends. These trends are becoming more and more perceivable, according to all the textile producers that were contacted during the first phase of the project.

### Networking actions within the project and experimental activities

The two focal companies (Madival and Bailo) are not direct competitors, since they produce respectively bed-linen and T-shirts. Nonetheless, they had to interpret, apply and fulfil the same Eco-Label criteria. Once their general interest towards the Eco-Label was raised, *IEFE-Bocconi* facilitated a cooperative relation between the two focal-companies in coping with the analysis of the criteria for a feasibility study. *IEFE-Bocconi* became the mediator between different interpretation of the criteria which were compared and discussed by each company by the promoters

Furthermore, the promoters had to look for expertise on the test and verification procedures. Since in Italy, at that time, there was no accredited laboratory, the catalyst promoted contacts between the focal-companies and existing laboratories. One of these laboratories was interested in the EU Eco-Label, but did not see any development prospect in terms of real company interest. When this laboratory found out that two companies were interested in applying for the Eco-Label, it immediately undertook the accreditation process and began its cooperation within the network.

The whole operation was possible thanks to the crucial support of the national environment protection agency (ANPA), technical support for the Italian Competent Body, which was fully involved in the network. ANPA elaborated, on behalf of the European Commission, the operational guidelines for the application of textile criteria in the EU: this made its contribution fruitful for all the actors involved.

The feasibility study was completed by the two focal companies with different results. Bailo acknowledged the impossibility of proceeding with the adoption process, since that would have implied

tight requests for its suppliers in terms of environmental performance. This was not economically viable, according to Bailo management, who decided to withdraw from the project.

Madival had the same problems with its suppliers, but asked for a more in-depth analysis of the criteria to establish if the requirements could be satisfied by any of its suppliers. By cooperating with the laboratory and with the promoters, and thanks to the support of ANPA, Madival found out that two dying companies (one owned by Madival itself) were able to guarantee compliance with the relevant Eco-Label criteria. Madival therefore decided to proceed in the adoption process, relying only on these suppliers for the whole production that was going to be eco-labelled.

At press time, Madival is undergoing the test procedures with the cooperation of the laboratory.

As anticipated in the case studies presented above, Madival was also supported in anticipating some marketing activities. It was during on of the initiatives organised by the promoters that Madival announced to the public opinion that its is going to apply for the Eco-Label as soon as the tests will be completed.

A last networking action was attempted to involve Zucchi in the activities of the project. After several contacts in the first phase, the promoters were finally able to meet with the marketing responsible and a product manager. The first qualitative feasibility study confirmed that Zucchi's product are eligible for the Eco-Label. Zucchi marketing responsible was convinced of the opportunity to take part in the network implemented by the promoters for supporting the focal companies' marketing and promotion activities. The only remaining barriers to participation were:

- the need for a direct contact with the Italian competent body to check for potential favourable conditions regarding the access to the scheme
- the necessity of labelling the whole product line made up of "natural cotton", implying the need for a broader Eco-Label product group, which will be soon approved

Despite the "wait" decision by Zucchi, the promoters tried to start up some of the network relations that could be useful in the future. The contact with an accredited laboratory has been implemented by Zucchi, some potential marketing activities have been planned together with the promoters, who are going to bring to the Comitato some of the specific requests made by this company and check their feasibility.

The textile network is described in figure 5.

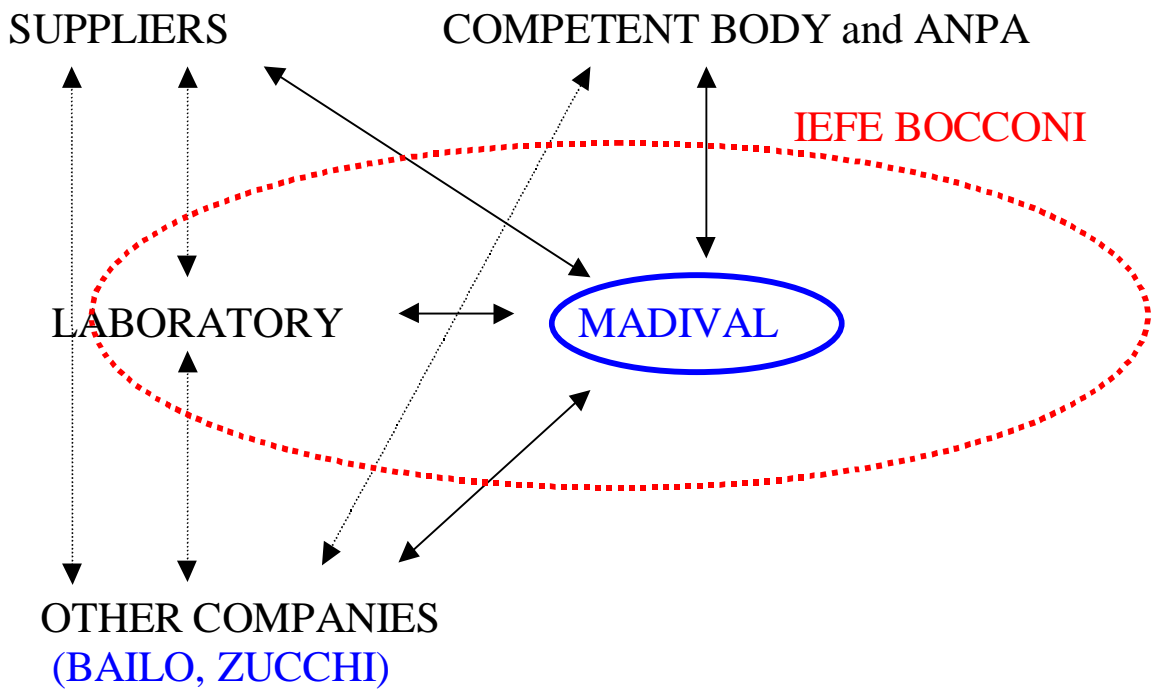
#### Problems encountered

Both Madival (which successfully completed the project experimental activities) and Bailo (which gave up participation in the project for the following reason) met relevant difficulties in complying with the Eco-Label criteria which entail the direct control of the suppliers' environmental performance. In many cases it is not economically viable to request guarantees on the environmental impacts connected with production processes which are performed by suppliers of intermediate goods or services located in other countries. This is especially true with respect to early production phases which take place in countries of the Far East, where compliance with environmental legislation cannot guarantee sufficiently high performances.

#### The prospects

In the first months of the coming year, Madival will apply for the Eco-Label. Zucchi is waiting for the new textile-product group and relevant criteria to be published and become official, then it will begin the adoption process.

**Fig. 5: THE TEXTILE SECTOR NETWORK**



## 6.2. Benelux

### 6.2.1. Networking Actions within the Project

#### **Catalyst**

The promoters have played the role of the catalyst during this project. During the first phase we searched for interested companies which we further supported and coached in order to facilitate them to reach the following step(s) in the adoption process.

For this purpose, we tried to motivate the different actors that should play a supporting role in this process and tried to link them in a network around the company.

Several actors of the generic network remain the same when applied to specific cases. These actors are involved in almost every network regardless of which company is placed in the centre. Examples of these constant actors are the NGO's and the Competent Body. Therefore, it is extremely important that these constant actors are willing to play their role.

We presented the actors a kind of normative role, discussed about their potential contribution to the network, and asked whether they are actually prepared to engage themselves in the future.

We helped executing or planning the activities they promised as much as possible.

#### **Retailers**

To involve the retailers in the network, we contacted Mrs. De Greve from FEDIS. Fedis is the federation of the big Belgian retailers. Fedis was very willing to co-operate and to support the initiative.

Fedis gave us the addresses and contact persons of their members in 3 product groups (about 95 addresses). The retailers were all contacted several times. First, we explained the project and asked what type of product groups they sell. Second, we sent an explanatory brochure about the Eco-Label and the (very important) role of the distribution sector, together with a questionnaire that checked for their interest to offer Eco-Labelled products on their shelves and to motivate suppliers to apply for the Eco-Label. It was also asked specifically whether these retailers knew the manufacturers of already labelled products.

As we mentioned already above, Fedis also agreed to publish an article about the specific role the retailers could fulfil in the network. (Actually we did not explicitly talk about a structured network at that stage, because this concept was still under development). We first wrote a general article to give Fedis the opportunity to let us emphasise those parts that are most relevant for them. The article was published in the Fedis newsletter of October 2th, 1998.

Fedis also agreed to organise an information session after the busy year-end period.

These initiatives will focus the attention of the retailers on their very important role as gatekeepers for 'Sustainable Production and Consumption'.

Progress will be realised by informing retailers about the developments of the Scheme; successes and experiences from others; new criteria, new product groups, new Eco-Labelled products;...

#### **NGO'S**

##### *a) Environmental Organisations*

Contacts with '*Stichting Leefmilieu*' have been made. This could be important, because this environmental organisation has set up a network of environmental entrepreneurs. '*Stichting Leefmilieu*' is closely linked with '*Kredietbank*', one of the biggest banks in Belgium. This link could be of interest for contacting companies later on. '*Kredietbank*' is also a bank that offers credits and loans for green investments.

We also contacted Mr. Jan Turf, campaign leader of '*Greenpeace Belgium*'. '*Greenpeace Belgium*' could not take up a certain position concerning the European Eco-Label yet, as this is a European matter which has not been discussed so far. So, it preferred to wait for the official opinion of '*Greenpeace Europe*' before taking joint actions with their colleagues from the Netherlands and Luxembourg.

The European attitude is that they do not have the know how nor the means to evaluate new criteria every time they are adopted or revised, to check whether these fit within the general principles of Greenpeace.

In these (and similar) cases '*Greenpeace Belgium*' will never take position pro or contra, but will inform their members about the attitude of the '*Bond Beter Leefmilieu*'. The latter is the Belgian umbrella organisation of environmental organisations, which has a great authority. They work together with '*European Environment Belgium*' so that they can still follow up this matter. If '*Bond Beter Leefmilieu*' agrees with the criteria of the European Eco-Label, '*Greenpeace Belgium*' will inform its members in a positive way about the label.

Because of the delay in implementing the Scheme in Belgium, the '*Bond Beter Leefmilieu*' has more focused its attention on other environmental instruments. But now that the Competent Body is established and that the '*Bond*' has a representatives in it, the Eco-Label will be follow up again.

For this purpose, we have organised an information session in Brussels for the collaborators of the '*Bond Beter Leefmilieu*'.

First of all, we answered the questions they still had about the working of the Scheme. Afterwards we asked them to which extent they are willing to support the Scheme. It proved that, in general, they are convinced that the EU Eco-Labeling Scheme is a good instrument to inform the consumer and to stimulate companies to manufacture more environment friendly products.

Nevertheless, to improve the working of the system they would like to make two recommendations:

1) As it is a voluntary system, the consumer will not have information about unlabelled products. Moreover, in the case of labelled products you can not know which of them really has the least environmental impact. Initially, the '*Bond*' thought it would be better to inform the consumer about this relativity of Eco-Labels. But they agreed that in a first phase it is important to gain the full confidence of the consumer. No instrument is perfect and it is still a big step forward, so they would not comment on these 'shortcomings'.

Another solution could consist of giving additional information to the green consumer whose buying behaviour is really determined by environmental arguments. The additional information would be the test results on the most important criteria, so that the green consumer can compare the labelled products if he wants. Of course this would only be interesting for certain products like household appliances.

2) Other labels should not be maintained anymore: especially the labels from producers and retailers are subjective and arbitrary. In Belgium there is a voluntary agreement on environmental arguments and ecological marketing. It says that "*pictograms or symbols concerning environmental effects may not be misleading nor confusing concerning their meaning and may not falsely insinuate an official award*". In practise, it will be very difficult to judge. Therefore it sounds better to eliminate these labels by law.

Concerning the official national labels, it sounds reasonable to reduce their number in favour of the EU Eco-Label. Of course the European criteria may not be too flexible in comparison with the national ones.

After this constructive contribution we passed to a presentation of the network model that we developed. In this model, we emphasised the necessary involvement of different actors in the network. Each of them can contribute in its own way to a better promotion and diffusion of the EU Eco-Label. The environmental organisations are one of these actors that should be stimulated to be involved in the network. For this purpose, we discussed which actions we could take together to promote the EU Eco-Label to the green consumer.

'*Bond Beter Leefmilieu*' is willing to promote the label in three different ways:

-articles on the developments of the Scheme in '*Milieurama*' (its magazine) and in other newsletters;

-general public campaigns: the 'Bond' organises several general public campaigns per year. The current campaign deals with rational use of energy. In each future campaign they are prepared to link the EU Eco-Label to the issue;

-interviews in 'Milieurama': the 'Bond' often brings a company that has done a special effort for the environment in front of the spotlights. Companies that obtain the EU Eco-Label and sell in Belgium will be interviewed.

#### *b) Consumer Organisations*

'OIVO' is the common research and information centre of the Belgian consumer organisations (Test-Aankoop, trade unions, Les Femmes Prévoyantes Socialistes, Vie Féminine...). Very often, OIVO is asked to carry out studies, to prepare information campaigns to the consumer, or to represent the consumer organisations in rather technical matters like the Competent Body (in which it has two seats). The research centre of OIVO employs about ten collaborators who are specialised in consumer rights, product safety, health or eco-consumption. The information centre employs a few experts who are experienced in educating and informing the consumer.

In the past OIVO has carried out a few research projects about eco-consumption. As a consequence, OIVO had the means to follow up the EU Eco-Labeling Scheme. This is an important factor. For the moment they cannot concentrate on the EU Eco-Label. They can hardly represent the consumer organisations in the Competent Body as they only receive an attendance fee. So, there are only means to available to gather information about initiatives towards consumers concerning Eco-Labeling assemble, but not to develop any new initiatives. Moreover, consumers are becoming gradually more difficult to reach. As a consequence, actions towards consumers take more and more time and means to be effective.

Anyway, OIVO is also annoyed about the large number of subjective labels and pictograms swamping the consumer. The EU Eco-Label could be a good answer to stop these subjective and deceptive information flows. But before the EU Eco-Label can function as an objective communication tool and as a stimulus for the production of green products, it must be recognised and understood by the consumer.

Carrying out a small survey at some exits of retail floors of GB and Delhaize, it became clear that the consumer knows very little about the meaning of any Eco-Label or pictogram. A total of 373 customers were presented 10 logo's that can be found on products in the stores. They were demanded which of them they recognised and which meaning they attributed to them. 16,1% thought they had seen the EU Eco-Label before. But when they were asked for the meaning of it, only 11,5% of those 16,1% (actually 1,85% of all the respondents) gave a good explanation. The GB pictogram scores even worse: 8,6% recognised it and 6,6% of these 8,6% knew the significance of it.

Concentrating on promotional activities towards companies will hopefully lead to more applications, but this will not increase the visibility significantly to consumers. To get the Eco-Label under the attention of the consumers, requires that they see the Eco-Label very often. From this point of view, fast moving consumer goods sound ideal, because of the frequent purchases. Most of the existing product groups however, are not fast moving consumer goods. Several product groups under development sound more promising, because they address fast moving goods.

OIVO is convinced of the need for an information campaign at the national level. It considers it important to involve the consumer and the environmental organisations from the very beginning. Both types of organisations inspire confidence in the consumers, which is an important success factor. If practicable, all the actors should be involved in the information campaign to the consumer.

Anyway, OIVO stresses that it will always provide complete information which means that it will inform the consumer about the positive and the negative sides of the Scheme. Honest information is very much appreciated by the consumer and in general OIVO has a favourable opinion about the scheme.

More specifically, OIVO would use its network of member organisations to develop actions itself (if it would receive the necessary budget from the Competent Body) or, if negative, OIVO would put its information channels at our disposal. To give an example: OIVO has drawn up a list of topics for information sessions from which their member organisations can choose. If OIVO does not have the



means to follow up the matter any longer, the topic can still be listed but then external speakers will be invited. Of course *OIVO* expects that external speakers will distribute informative packages after the session.

*OIVO* has also an important educational program for schools. In this case, the EU Eco-Label can only be integrated in the program if its own collaborators have had the chance to follow up the matter.

For the promotion of the energy label for instance, its member organisations are not involved. As a result, consumer organisations did not undertake any action to the consumer, which is considered as strange by the latter.

As mentioned before, *OIVO* does not have the means to develop actions itself. So, the Belgian consumer organisations are certainly willing to engage themselves into the network but the intensity depends from the support they get.

This national campaign must be accompanied by information at the moment of the buying decision. The British experiment about retail advertisement confirms this.

Regarding the national labels, *OIVO* thinks they could serve as a frontrunner. Moreover, they are appreciated as they provide information to the consumer in product groups that still do not exist at the European level. So, during a transitory period, it is necessary to maintain these until the European Eco-Label is a valuable alternative. This means that the EU Eco-Label must be known by the consumer and that there must be enough product groups with relevant criteria, before the other labels could be withdrawn.

### **Institutional Actors Involved In The Implementation Of The Scheme**

#### *a) Belgian Competent Body*

Finally the Belgian Competent Body has been founded and has started its formal activities. Before, we kept in touch with Mrs. Marleen Van Den Brande, who is the secretary of the new Competent Body (see chapter 3). The Chairman immediately invited us to give a presentation of our “*network model*” and to discuss about the role of the Competent Body. We emphasised the double role of the Competent Body: the passive role (*‘handling of applications’*) and the active role (*‘promotion of the Scheme’*). Regarding the promotional tasks, the Belgian Competent Body agreed that as soon as possible promotional actions should be undertaken to overtake the arrears, caused by the delay in its foundation. Initially, the Belgian Competent Body were only thinking about actions towards Belgian retailers, but we advised to develop an integrated promotion strategy focused on the three key-actors (companies, retailers and consumers). This will be the most effective way to break through the current vicious circle. The Competent Body decided to start with the promotional activities by the end of 1998. The actions will be specific for each of the eight relevant product groups.

### **“Intermediate” Institutions**

#### *a) Chamber of Commerce of Kortrijk*

To get in touch with enterprises directly, a plan was developed with Mr. Jo Libeer, the CEO of the Chamber of Commerce of Kortrijk. The idea is that the Chamber would invite managers of some targeted companies that have expressed their interest in environmental issues in the past (e.g. Companies that have signed the ‘Environment Charter’ of a local Chamber of Commerce). ‘*Vlerick Leuven Gent Management School - Gent University*’, with the support of the Belgian Competent Body, will give a presentation for these managers. After the presentation, questions will be answered, and a dialogue will be started and facilitated about the benefits and the potential for Eco-Labeling some of their products.

This will be a business-oriented presentation in a Chamber of Commerce, where the members receive a presentation by a business school. The atmosphere is not ‘too green’, so if members can be stimulated to apply, this would be very promising. This atmosphere may also be pretty stimulating to keep in touch for further information and to apply for an Eco-Label afterwards. It creates the opportunity to bring the

Eco-Label under the attention of an interesting target group for a rather long time, and to start up an interactive exchange of ideas and information.

During our first meetings with the Chamber of Commerce of Kortrijk, it was stressed that a presentation about the EU Eco-Label would be not attractive enough on its own to mobilise its member companies. The session should start with a presentation about the buying behaviour of the 'green' consumer and hard facts about the market shares of these segments. In the first place the companies want to know if environmental issues really influence this buying behaviour. If not, it has little sense to communicate those environmental arguments.

For these 'hard facts', we contacted Drs. Irene Roozen from the University of Antwerp, who is making a PhD on eco-marketing.

The Kortrijk region is known for its very entrepreneurial environment. If the initiative proves successful over there, the idea will be spread to other Chambers of Commerce as well. Mr. Jo Libeer has a few names in mind of potentially very interested companies in the Kortrijk region.

#### *b) Federations*

Federations that are not blocking participation in the scheme, can be involved also. They often have task forces for environmental issues; these could function as a vehicle for the Eco-Label. Below are described a few examples:

*Febeltext* (the federation of the Belgian textile industry) organises a course on Environment and Textile for their members every year, starting in September and finishing in June. A session on Eco-Labeling has been planned at the end of the course, in which 'Vlerick Leuven Gent Management School - Gent University' could give a presentation. In the magazine of the federation, an article about the European Eco-Label can be published. In their opinion, it is better to wait until the beginning of 1999, when - hopefully - the new textile criteria will be developed and the Competent Body will finally be founded and turned operational.

For *Fedis* (the federation of Belgian distributors), we made a special brochure about the importance of the role of the retailers in the network. The brochure is transformed into an article which was published in the Fedis newsletter of October 2th, 1998. The complete brochure could be ordered from Fedis.

Fedis was also very interested in our proposal to organise an informative session. As the agenda of the next meeting of the environmental commission was already complete, the session will be included after important year-end sales period (if 'Vlerick Leuven Gent Management School - Gent University' will still be working on the EU Eco-Label).

For *IVP* (the federation of Belgian paint producers), we wrote a tailor made article. We used the method of frequently asked questions to explain the Scheme in general, but emphasised on the product group of paints and varnishes. All the practical examples were related to this product group. Further we paid attention to the most important parameters on which the criteria for paints and varnishes are based.

The only federation of those that were contacted and that was not willing to promote the EU Eco-Label is *Cobelpa* (Belgian federation of copy paper). It insists to pullback the product criteria (based on a life cycle evaluation) because these are related to processes taking place in the production plants of suppliers, and most of the companies cannot influence the whole value chain. Cobelpa expect more from process-oriented standards. Moreover, they are against the elitist character of the Scheme, that is only reserved for a small group of frontrunners. For these reasons Cobelpa is not willing to promote the system.

### **Public Administration**

#### *a) AGALEV, The Flemish Green Party*

Contacts with AGALEV, the Flemish Green Party, have been made to check for the possibilities to stimulate the use of Eco-Labelled products by public administration and Government. Mrs. Vera Dua,

Member of the federal Senate for AGALEV, has already introduced a new law that stimulates the use of FSC-wood by official bodies. She is willing to prepare a similar proposal for Eco-Labelled products. As Mr. Hess (European Commission) confirmed, it would only be possible to make the criteria compulsory, not the label on itself. Mrs. Dua is coming to our conference on December 3, 1998, where we hope to hear more about the evolutions.

*b) Direct support to Small and Medium-sized Enterprises (SME's)*

SME's often complain about the lack of expertise in-house for developing products with an Eco-Label and about the costs for hiring an accredited laboratory.

The Flemish administration has been contacted to find out whether subsidies could be given to SME's that want to develop products with a EU Eco-Label.

The administration seems to be prepared to refund 50% of the consultant's fees for advice on green products, like Eco-Labelled products. The situation regarding the refunding of laboratory expenses is still under investigation.

*c) Refund scheme for household appliances with an EU Eco-Label*

Electrabel, the main Belgian electricity generator and distributor, is prepared to set up a refund scheme for household appliances with an EU Eco-Label. Electrabel has set up a similar scheme for the energy label, where consumers get a refund (between 50 and 75 EURO) if they buy household appliances with energy label A.

Electrabel cannot decide about this scheme itself. It has to agree with the Flemish public administration (VIREG) and with the Intercommunales (intermediary organisations which distribute the energy and bill the public). VIREG was not in favour of a refund scheme, but top management of Electrabel is clarifying the benefits in full detail to the administration.

Electrabel will also clarify the benefits to the Intercommunales, whose boards of directors will have to decide about the refund scheme. (These board decisions will take time.)

## **Media and Events**

*a) The IFEST Trade Fair*

In May, 1998, at the third meeting with the Commission, DG XI.E.4., it was mentioned that an event should be organised in Italy and in the Benelux.

For the Benelux, there was a very important bi-yearly event in October 1998: the IFEST trade-fair. IFEST is entirely devoted to the environment and everyone in Belgium and the neighbouring countries who has something to do with the environment visits this trade-fair. It is organised every two years and receives very intensive coverage by the media (television, newspapers, magazines, specialised newsletters,...). This trade-fair looks a perfect event and can function as a locomotive to bring the EU Eco-Label under the attention of all environmental specialists in Belgium. All types of marketing can be attached to this event.

Two elements seem very attractive about IFEST:

- (1) *Direct promotion by hiring a stand:* This stand would create the opportunity to draw the attention of all visitors on the EU Eco-Label. The idea needs detailed elaboration if the Commission decides to hire some exhibition space, but elements to be included are: promotional materials on the walls (posters etc.), flyers and brochures for interested visitors, presentation of (some of the) Eco-Labelled products, people from 'Vlerick Leuven Gent Management School - Gent University' to run the stand (give information and answer questions),...
- (2) *Direct promotion by means of seminars:* Apart from exhibitions, there are continuously taking place seminars about environmental issues in separate meeting rooms of the trade-fair. If the Commission is interested in the organisation of a seminar, a speech or whatever, 'Vlerick

*Leuven Gent Management School - Gent University* will try to convince the IFEST organisers to include such a session in the programme. *Vlerick Leuven Gent Management School - Gent University* can use its address database to draw the attention of manufacturers and retailers to this speech and invite them to come. It would be a great opportunity for the Commission to address the interested public itself. A speech by a Representative of DG XI at IFEST would of course receive press coverage.

Unfortunately, during the third week of July, the DG XI.E.4 of the European Commission reported to us that it had decided not to take part to the IFEST trade fair. In their opinion, the target group was not clear enough and the activities were focused on environmental technology rather than on product development. Other reasons were the work pressure, the limited budget and the absence of a Competent Body in Belgium at that moment.

#### *b) Magazines and leaflets of companies*

Some large companies have expressed their interest to promote the EU Eco-Label in their free magazines for the public.

*Electrabel* wants to devote an article to the topic in their magazine *"ENERGIE"*, explaining the Eco-Label to the public, perhaps with extra attention towards product groups consuming energy during the use phase, stressing rational use of energy and other environmental benefits, as well as the financial support when buying household appliances with an EU Eco-Label. This magazine is sent bi-monthly to all Belgian households and companies (see also 2.7.).

Two of the "Big 3" retailers (*Colruyt, Delhaize and GIB*) have expressed their interest to write an article about the EU Eco-Label in their weekly magazine, sent to their customers.

#### *c) Conferences*

On December 3th, 1998, Ghent University has planned a conference on the EU Eco-Label. Every BENELUX company or actor that has expressed its interest for the EU Eco-Label during the project in some way, has been invited. In this way, all the relevant actors will be represented. We will present the network model and discuss each actor's role in the model.

We also invited Mr. Ibsen who is going to present the success story of *Frenko*. Mr. Ibsen (with the support of the *Stichting Milieukeur*) succeeded in building a network on a modest scale for his washing machines. *Libert Paints*, which will be represented too, has not tried to build a network or to motivate partners (mainly because they obtained the label before the Belgian market was made ready for it). The product launch of the Eco-Labelled paint did not prove an immediate success. This shows that the support of a network is an important success factor and that only a very small number of companies without a good network will be capable to pass through the adoption process and to successfully use the EU Eco-Label. Furthermore, it seems that only a few companies will be capable to actually build themselves such a network around their company. For this, the support of a catalyst appears necessary. The advantage of the conference is that all the interested partners are brought together so that contacts can easily be established and new networks can be started up.

## **Companies**

'Vlerick Leuven Gent Management School - Gent University' has been coaching and consulting the companies that had expressed their interest in the EU Eco-Label during the first phase. For this, we stimulated these companies, explained the benefits of participation, and tried to make them reach the following step(s) in the adoption process.

Coaching activities include:

⇒ *clarification and explanation of criteria and developments of the scheme:*

These activities include some very practical introductory concepts, like:

- explanation of what an Eco-Label is;
- who can apply for which products;
- marketing benefits;
- what the meaning of criteria is;
- which criteria have been defined for their product group;
- how the EU Eco-Labeling Scheme works.

After each personal talk we offer our contact persons a handy brochure which we made ourselves. The brochure is written in Dutch (and is also available for retailers in French). It contains all basic information about the European Eco-Label and how to prepare for an application. The guidebook makes it possible to read again what has been explained and discussed during the verbal presentation. Further, it refers to the website of the Commission and mentions the contact addresses of all institutions involved in the Scheme.

⇒ *clarifications on other operational, technical and bureaucratic aspects of the scheme:*

Once the company expresses its interest, advice and explanations are given about how the company can actually obtain an Eco-Label, like:

- the need for gathering information and test results for their products;
- the need for an accredited laboratory;
- the procedure for submitting the application;
- the systems for the fees.

All other types of 'ad hoc' information are given as well, in response to questions or information needs.

⇒ *search for accredited laboratories and interested retailers:*

If the company expresses further interest to apply for an Eco-Label, further help is offered. Some elements can be more or less standardised, like the search for accredited laboratories or the establishing of contacts between the company and Competent Bodies.

For the selection of accredited laboratories, some contacts have been made with Beltest (Belgium) and the "Raad voor Accreditatie" (The Netherlands).

Because test costs are sometimes mentioned as a main barrier for the companies, the laboratories can make an estimate of the costs the different tests will require.

Apart from technical contacts, 'Vlerick Leuven Gent Management School - Gent University' also tries to identify potentially interested retailers for these products with an Eco-Label. Both parties, retailer and manufacturer can be brought together.

All further questions are answered on 'ad hoc' basis and information is gathered in function of the needs expressed by the potential applicant.

The companies we mentioned in chapter 3 have expressed their interest for the EU Eco-Label and are being coached. This does not automatically mean that these companies will apply for an Eco-

Label. This remark goes especially for the textile manufacturers because the criteria are being revised.

As an example, 'Vlerick Leuven Gent Management School - Gent University' is supporting *Frenko* (the Netherlands) and *Libert Paints and Co.* (Belgium) in contacting interested retailers to enter new markets. Advice and support is given to identify interested retail channels and to bring the parties together, and in giving assistance in the formulation of a promotion plan.

The case studies of four interesting companies (*Frenko*, *Xerox*, *Libert Paints and Co.* and *Pandava*) are described in the next paragraph.

### 6.2.2. Case Studies

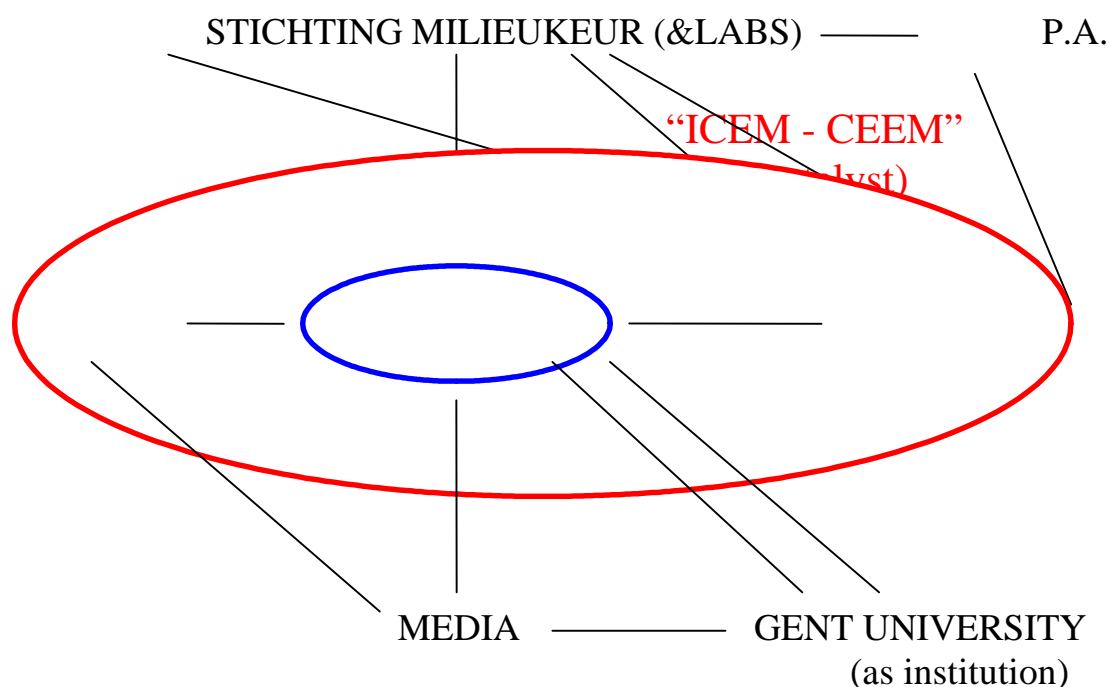
The case studies underline the functioning and the importance of a supportive network. The theoretic network model described in Chapter 5 is generic and general. The model has been checked in practice in the following cases.

It proved not essential that the catalyst motivates all the theoretical stakeholders to engage themselves into the network. Firstly, some companies are sometimes in a position making it easier to motivate one of the actors (e.g. their suppliers) than other companies. Secondly, it is not essential in all cases to build the complete network model around the company in order to pass through the adoption process and launch the product successfully afterwards (e.g. companies that have sufficient in-house expertise about certain aspects). A very important finding is that a company needs a network to obtain the Eco-Label. And just as important, it proved that sufficient network actions for the marketing of the new product, is just as essential for success.

Three companies which we supported during this project are close to the adoption of the EU Eco-Label: *Xerox* (copy paper), *Pandava* (the application would already have been made by their supplier) and *Frenko* (for its refrigerators).

a) *Xerox Benelux*, a copy paper producer (NL)

Figure 6: The Network Actors for the Xerox Benelux case



'Vlerick Leuven Gent Management School - Gent University' (ICEM-CEEM) contacted Xerox because it had already adopted the Dutch Milieukeur, the Nordic Swan and the Blue Angel. The first contacts have been made with Mrs. Brussen, who is the contact person of Xerox towards the Stichting Milieukeur. She was not informed about the existence of a European Eco-Label, so we first explained her the Scheme in general. Secondly we informed her about the opportunities related to the adoption of the European Eco-Label. Especially for large companies that sell in different European countries, the EU Eco-Label can be a lot more relevant than national labels.

A few days later we received a call from Mr. Van Ghent, the Benelux Marketing Manager, who was also surprised about the existence of the label.

We sent him an information packet about the working of the Scheme and the relevant information about the latest developments in the copy paper product group. Because the final decision to apply will be taken by the headquarters in England, we also sent the information about the scheme and its benefits in English. It was very important to come in contact with the marketing manager of this company. In his position he can influence the production and is responsible for the use of marketing instruments, like the EU Eco-Label. Because the EU Eco-Label is a European-wide instrument, the European Marketing manager had to be involved too.

Anyway, it appeared that we (acting as an institution) have succeeded in supporting the networking actions of the first phase of the adoption model: diffusion of information and raising the interest of Xerox. As it was the first time that Xerox heard about the EU Eco-Label, we can say that, during this first step, they were not assisted by other potential actors like the federation, media, Competent Body, large customers, NGO's or a first mover.

Regarding the second step in the adoption process (the feasibility study) Xerox could, we sent them the criteria for copy paper. We explained that the meeting of the EU criteria did not appear to be a problem because Xerox already complied with the more strict criteria of the Dutch national label. Therefore it was not necessary anymore to get the advise of an accredited laboratory during this phase.

At the presentation of the interim report of this project, the *Stichting Milieukeur* has let us know that the *Stichting* would take over the contacts with Xerox and that the *Stichting* would keep us informed about the progress.

The external actors that performed the necessary networking actions during this phase were the *Stichting Milieukeur* and *Vlerick Leuven Gent Management School - Gent University (ICEM-CEEM)*.

The third step in the adoption process, the market opportunity assessment, became the most difficult one. As we mentioned before, a lot of information and data is necessary to perform this evaluation and a lot of small companies are not capable to gather this information. Xerox, as a multinational, does know its markets very well. The problem is that for the recycled paper of Xerox, the European criteria are too soft. Products of competitors with bigger environmental impacts would thus be put in the same category as Xerox's, and so the competitive advantage would be limited. Nevertheless, if Xerox does not modify the composition of the paper that is already labelled in the Netherlands, it will still be supported by the strong Dutch NGO's. But of course the opportunities on the European market are more important than these barriers on the Dutch market.

Therefore, Mr. Van Gent was initially insisting on a graduated label in order to have an instrument that communicates better its superior performance to the green consumer. If the graduated label would not be introduced, the marketing benefits could be increased by promotional support by institutions like DG XI.E.4.

The *Stichting Milieukeur* reported this request to the Commission, which answered that the chances for the adoption of a graduated label have become very small. But the Commission was willing to receive the representatives of Xerox in Brussels to discuss how the opportunities could be increased.

In the meantime Xerox had informed the *Stichting Milieukeur* that it was thinking of a Europe-wide launch of EU Eco-Labelled copy paper. The meeting at the Commission was planned for November 1998, but Mr. Van Gent asked to postpone the meeting to January 1999.

It seems that Xerox, during this phase, is not using the support from consumer organisations, retailers or research institutes (at least, Xerox did not mention any contacts with these stakeholders in its network at the moment). Of course, this multinational has far more resources available than an SME in going through this adoption phase. Xerox only needed the support of the *Stichting Milieukeur* to estimate the total costs related to an application. Further they need the expertise from the *DG XI.E.4* to assess existing and hidden market opportunities and how they could be increased by means of the support of the *Commission* and the national *Competent Bodies*.

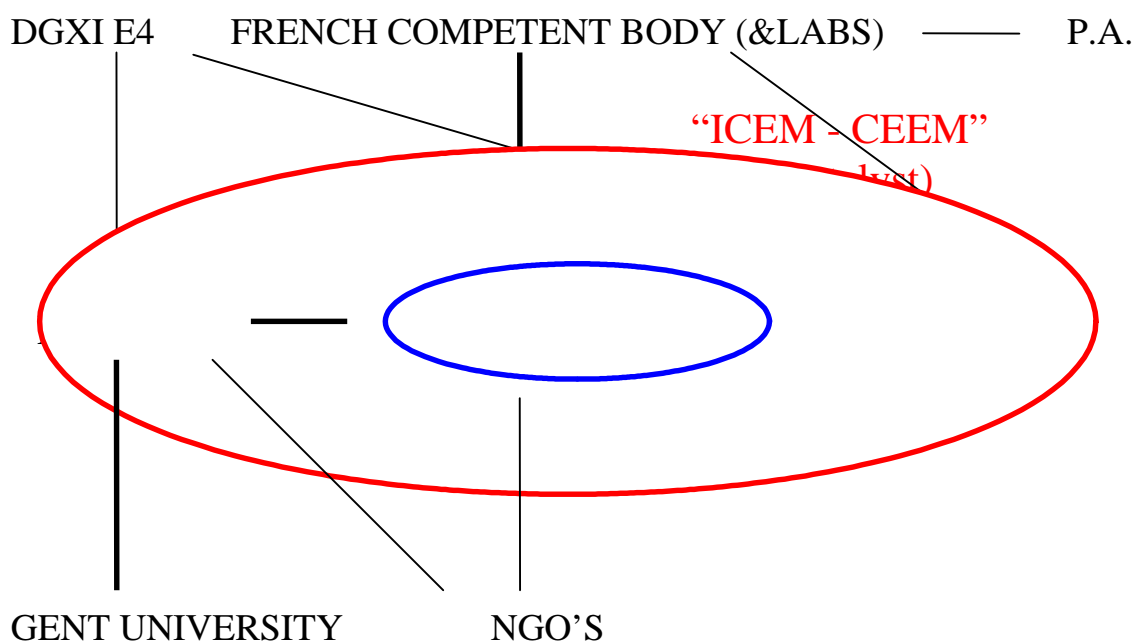
Nevertheless, a few other actors are present in the figure above: the public authorities, the media and the NGO's. Regarding the estimation of opportunities, *Xerox* probably expects that several public authorities in different countries will switch to the labelled *Xerox* copy paper. The *Commission* will most probably set a good example and via the *Competent Bodies* other *Member States* could be stimulated.

With a European-wide launch of EU labelled copy paper *Xerox* hopes to get a lot of publicity. The *Commission* (and the *Competent Bodies*) can play an important role in diffusing press releases and organising / supporting promotional campaigns. Their story will be used in articles, at conferences and in lessons organised by institutions. Also through the activities of NGO's (newsletters, sensitisation campaigns) the credibility of *Xerox* will increase even more in the eyes of the green consumer. The Belgian NGO's have already promised their support to companies that obtain the EU Eco-Label and in the Netherlands *Xerox* will maintain its strong position if they continue to meet the national criteria.

All these potential opportunities are being evaluated by *Xerox* and can lead not only to a decision to apply for the EU Eco-Label, but also to achieve good results with it.

b) *Papeterie du Moulin Vieux*, a French paper producer (F)

Figure 7: The Network Actors for the '*Papeterie du Moulin Vieux*' case



The "*Papeterie du Moulin Vieux*", put in the centre of the figure, is not a Benelux company. It is a rather small French paper producer that only makes recycled paper products. Although it is a French company, its application resulted from a network that started up in the Benelux, built around a paper wholesaler, called "*Pandava*". The *Papeterie* is a supplier to *Pandava*.

In this case, *Pandava* could just as well have made the application, resulting in a first applicant for the Belgian Competent. *Pandava* has several private labels that are produced by the *Papeterie* and that are sold exclusively by *Pandava*. But after all, the most important thing is that the first application in the copy paper product group has been made.

Because of the negative attitude of the Belgian federation towards the EU Eco-Label (actually it is blocking the diffusion among its members), we started looking for producers or wholesalers that operate independent from a federation.



By doing so, we came in contact with *Pandava* which is a front-runner in the market of recycled paper in Belgium and not bound by a federation's guidelines and attitudes. For instance, it was *Pandava* that tried to make environmental slogans for copy paper more objective by means of an objective classification scheme. The "ABCD-classification scheme" was imported in Belgium from the U.K., and is based on the sources of recycled paper, and should make it easy to communicate with the green consumer.



A few years ago, *Pandava* also listed the properties a recycled paper should have to guarantee both its environment-friendliness but also its quality aspects. Finally, it became a very ambitious list and *Pandava* started looking for a producer that could make a copy paper with those properties. In this way, it arrived at *Papeterie du Moulin Vieux*. This French company now produces the *Rosalindt* paper line especially for *Pandava*, which became one of its major customers. *Pandava* brought the recycled *Rosalindt* paper on the Benelux market and it turned out to be a success. Therefore, *Papeterie du Moulin Vieux*, with the permission of *Pandava*, introduced this paper line also in Germany.

'*Vlerick Leuven Gent Management School - Gent University*' was the first to inform *Pandava* about the working of the Scheme and its benefits. It received e.g. our brochure on the Eco-Label and the address of the DGXI E4-website. In this way, we succeeded in raising the interest of *Pandava*. As it has always been a frontrunner, the interest of the company even grew when we told them that the Belgian federation was blocking the introduction of the label. The EU Eco-Label could mean a competitive advantage for the company in comparison to the recycled assortment of other (mainly larger) producers. *Pandava* wanted to discuss the matter with its supplier in France to check if the *Papeterie* would support an application and eventually if it would be better if the producer would make application.

Regarding the first phase, it is not surprising that the catalyst, '*Vlerick Leuven Gent Management School - Gent University*', detected this potential applicant the first, because there was no network providing information about the Eco-Label to *Pandava*: there was not yet a Competent Body; *Pandava* is not a member of a federation; there was no first mover in the market; and the media did not pay much attention to the EU Eco-Label.

In the meantime, *Pandava* informed *Papeterie du Moulin Vieux* in France and succeeded in raising the interest of the *Papeterie*.

For the second step in the adoption process, more information was needed in French. Firstly, more general information about the scheme was needed, and further more specific information about the copy paper product group (the criteria, the kind of tests, expected evolution...). We contacted DG XI.E.4, which is developing an information kit in several languages. *Papeterie du Moulin Vieux* also directly contacted the French Competent Body, by means of our brochure. The *French Competent Body* provided all the necessary (technical) information on the basis of which it became clear for *Papeterie du Moulin Vieux* that the *Rosalindt* paper could easily meet the criteria.

So, the network actors in this phase were the *French Competent Body*, the supplier (*Papeterie du Moulin Vieux*) and '*Vlerick Leuven Gent Management School - Gent University*'.

Probably the French Competent Body has persuaded *Papeterie du Moulin Vieux* to apply itself (because the fees then go to the *French Competent Body*). In the next steps *Papeterie du Moulin Vieux* will be considered as the applicant.

Regarding the third phase, it seems that the costs of application will not be a major problem for the *Rosalindt* paper line. Furthermore, the opportunities are clear as the environment-friendly character is the most important sales argument of this product, and this can now be confirmed with an official European label. Regarding promotion, several NGO's are offering the products of *Pandava* themselves, so this distribution channel and opinion leader will most probably promote the paper line. Because *Pandava* is a frontrunner in environmental issues, environmental organisations like to associate themselves with this company and its products. Even in the Netherlands they can expect some support because *Pandava* and *Papeterie du Moulin Vieux*, do not use new fibres in many of their recycled products.

Public authorities are an important actor in this product group, because of their enormous paper consumption, and *Pandava* and *Papeterie du Moulin Vieux* probably see market opportunities in the potential switch to EU Eco-labelled copy paper by these administrations.

The network actors in this step were thus the distributor (*Pandava*), the NGO's (especially the positive attitude of the environmental organisations) and the *French Competent Body* (specifying the costs).

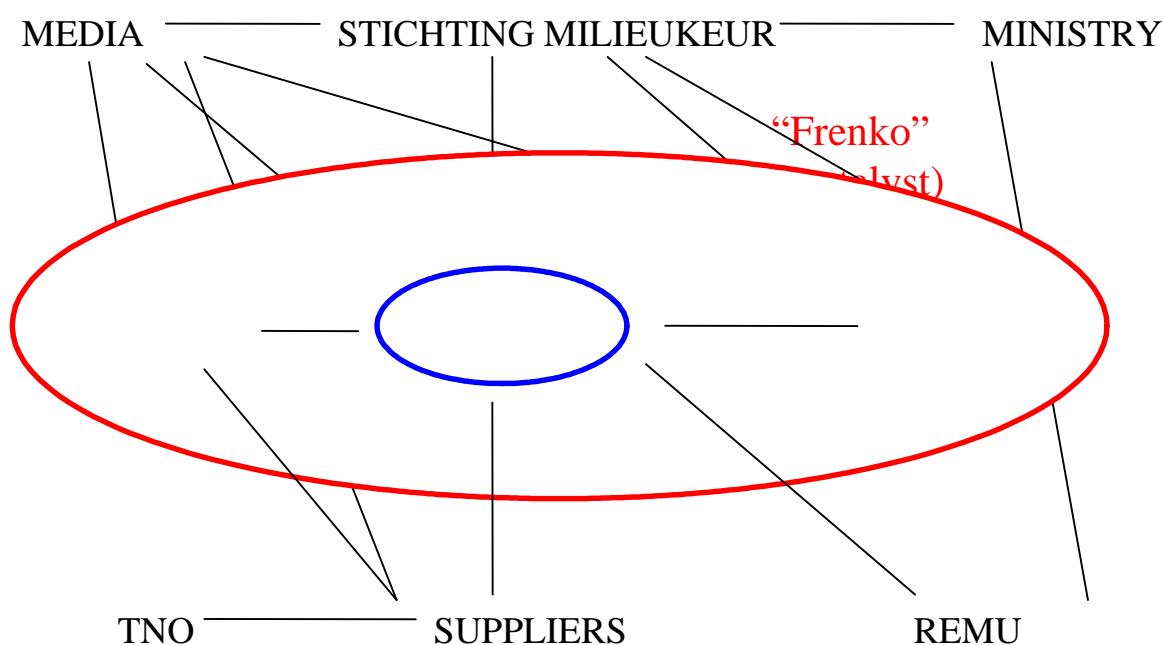
After the balance turned out to be positive for *Papeterie du Moulin Vieux*, it decided to continue with the application. During the application procedure, support was received from the *French Competent Body* and an accredited laboratory, which were thus the network actors. The *Papeterie* did not need the support of *Pandava* during this phase.

Regarding the fifth step, we cannot say much because the application procedure has not yet been finished. But we can mention the partnerships they already maintain with their main customers, the *NGO's*. Further, *Papeterie du Moulin Vieux* will of course co-operate closely with *Pandava*, its distributor in the Benelux, when developing promotional activities.

Because *Pandava* offers an assortment of envelopes combined with specific brands of papers, this company may offer a unique opportunity to launch a first application for the *product group 'converted paper products'*.

c) *Frenko*, a Dutch importer of household appliances (NL)

Figure 8: The Network Actors for the 'Frenko' case



*Frenko* is a Dutch importer of the private label washing machines “*Edy*” and “*Nordland*” for which it has been awarded the EU Eco-Label.

During a meeting with the CEO, Mr. Ibsen, in April 1998, we discovered several new opportunities for *Frenko* with respect to its refrigerators and its access to the Belgian market.

During the second phase of the project we kept in touch with *Frenko* and kept on motivating the company to apply for an Eco-Label for its refrigerators. In the meanwhile, *Frenko* has already executed the necessary tests and is now waiting for the results. Probably these will be positive. So *Frenko* will be able to apply for its refrigerators too.

The first figure shows the network *Frenko* has built and by means of which the adoption of the Eco-Label for its washing machines became a success.

Of course there must have been someone that has informed *Frenko* about the existence of a European Eco-Label for washing machines, but Mr. Ibsen cannot remember this actor. He supposes that he has read an article somewhere in a magazine. Anyway, the co-ordinates of the *Stichting Milieukeur* were

mentioned and *Frenko* contacted the *Stichting* for more information. The *Stichting Milieukeur* succeeded in raising the interest of Mr Ibsen. So, the network actors in this first step were the media (diffusion of information) and the *Stichting Milieukeur* (raising the interest).

To carry out the feasibility study, of course *Frenko* had to consult its suppliers after the *Stichting Milieukeur* had sent the criteria. Only a few modifications were necessary.

During the third step, *Frenko* first tried to estimate the costs related to the adoption of the Eco-Label. These costs consisted of the application fee (determined by the *Stichting Milieukeur*), the annual fee (related to the estimated volume of sales), the cost of the modifications (estimated by the supplier) and the cost of the tests (estimated by the accredited laboratory *TNO*).

*Frenko* would have to shift on these costs to the consumer. This would mean that the product would become more expensive than its competitors'. But, *Frenko* hoped to compensate this by means of a refund scheme: part of the purchasing price of Eco-Labelled products was refunded by *Remu*, a regional electricity supplier. Every regional energy supplier in the Netherlands receives subsidies to set up energy saving programmes that benefit the environment. *Remu* refunded to consumers a part of the purchasing price of white goods if these had an energy label A or B. *Frenko* could persuade *Remu* to add an extra refund in case of a combination of an energy label and an Eco-Label. This was only a regional initiative.

The criteria of washing machines are related to the use phase of the product. They limit the use of water, energy and washing-powder which means that the consumer saves during the use phase. This could in itself justify the higher price of the washing machine. The EU Eco-Label could be the official proof for this. So, providing that the criteria are clearly mentioned, the EU Eco-Label could lead to an increase of the sales volume and/or to a (limited) price premium.

For these reasons, *Frenko* decided to apply for the Eco-Label. The network actors in this phase were the *Stichting Milieukeur*, their supplier, *TNO* and *Remu*.

In the next step, *Frenko* had to complete all the necessary application procedures. The *Stichting Milieukeur* played a major supporting role in this step. *Frenko* selected the accredited laboratory *TNO* to execute the tests for which its supplier provided the necessary proofs.

Finally *Frenko* passed the application procedure and has been awarded the EU Eco-Label.

For *Frenko* this was certainly not the finishing point. On the contrary, it only started yet, and a big promotion campaign followed to launch the products.

The story of *Frenko* proves that it is important for the company to develop an effective marketing campaign in order to gain the expected benefits. Indeed, the EU Eco-Label is a marketing instrument, but companies have to play it out. *Frenko* succeeded in engaging several external actors, which supported the product sales immediately, with the EU Eco-Label as the most important competitive advantage.

First of all *Frenko*, with the help of the *Stichting Milieukeur*, organised a press conference on which it was announced that *Frenko* was the first company that had been awarded the EU Eco-Label in the Netherlands. In the invitation letters the criteria and the benefits of the EU Eco-Label were immediately communicated. The NGO's were also informed about the launch of the Eco-Labelled washing machines and were asked to communicate it to their members.

The press conference was organised in a store of one of its retailers ("*It's Electric*") in Den Haag and followed by a festive presentation of the Eco-Label, by the General Director for the Environment of the VROM (Dutch Administration for the Environment). For this presentation *Frenko* and the *Stichting Milieukeur* have made posters showing the logo and communicating that it was the first time that the EU Eco-Label had been awarded in the Netherlands. Furthermore, the posters mentioned the main characteristics of the label. The posters could be seen clearly on every picture that was published in the newspapers. This press conference also led to several interviews in specialised journals.

Another promotional initiative was the partial refunding of the purchasing price of EU Eco-Labelled household appliances by *Remu* (see above). *Frenko* reached an agreement with *Remu* to add an extra refund in case of a combination of an energy label (A or B) and an EU Eco-Label. As *Frenko* was the only supplier of household appliances with the EU Eco-Label, this action was solely in favour of his washing machines.

Together with his retailers, *Frenko* developed even more promotional activities. In every store where its products were sold, the posters were fixed on the walls and handy leaflets were put near the washing machines. The leaflets were made by the *Stichting Milieukeur* and contained basic information about the Scheme. *Neckermann*, the mail order company, devoted special attention to the EU Eco-Label and its benefits in its catalogue.

Of course, also the newsletter of the *Stichting Milieukeur* informed its readers about the company *Frenko* and its environment-friendly products and where these could be bought.

To conclude, we can say that due to the support of a wide network, *Frenko* succeeded in successfully adopting the EU Eco-Label and using it as a marketing instrument. Especially the efforts made to engage several external actors in the fifth step (marketing) may serve as an example to other applicants.

During a meeting with *Frenko*, '*Vlerick Leuven Gent Management School - Gent University*' drew *Frenko*'s attention to the possible benefits of an extra application (for its refrigerators). *Frenko* is now preparing this application; currently the testing takes place by *TNO*.

Furthermore, '*Vlerick Leuven Gent Management School - Gent University*' drew *Frenko*'s attention to the opportunity of entering the Belgian market with its Eco-Labelled products. We have been supporting *Frenko* in establishing the necessary contacts in Belgium. For instance, we contacted several Belgian retail chains for household appliances to check whether they are interested to introduce labelled appliances on the Belgian market and whether they would be willing to co-operate for promotional activities. We delivered *Frenko* the contact addresses of the interested retailers.

Besides, we informed the Belgian NGO's about the company and its products and about the promotional activities that will probably be organised in case *Frenko* would come to Belgium.

Eventually, *Frenko* is considering making applications both in the Netherlands and in Belgium in order to profit from the advantage of being the first mover and in order to be linked to the promotional activities of the new *Belgian Competent Body*. In this case we will promote co-operation with the *Belgian Competent Body*.

So until now, '*Vlerick Leuven Gent Management School - Gent University*' has played the role of the catalyst regarding *Frenko*'s intentions to enter the Belgian market and also this operation requires the active support of several external actors. To show this in a figure, one can easily recapture the figure above and replace *Frenko* by '*Vlerick Leuven Gent Management School - Gent University*' (*ICEM-CEEM*) at the position of the catalyst.

#### *d) Libert Paints and Co. (B)*

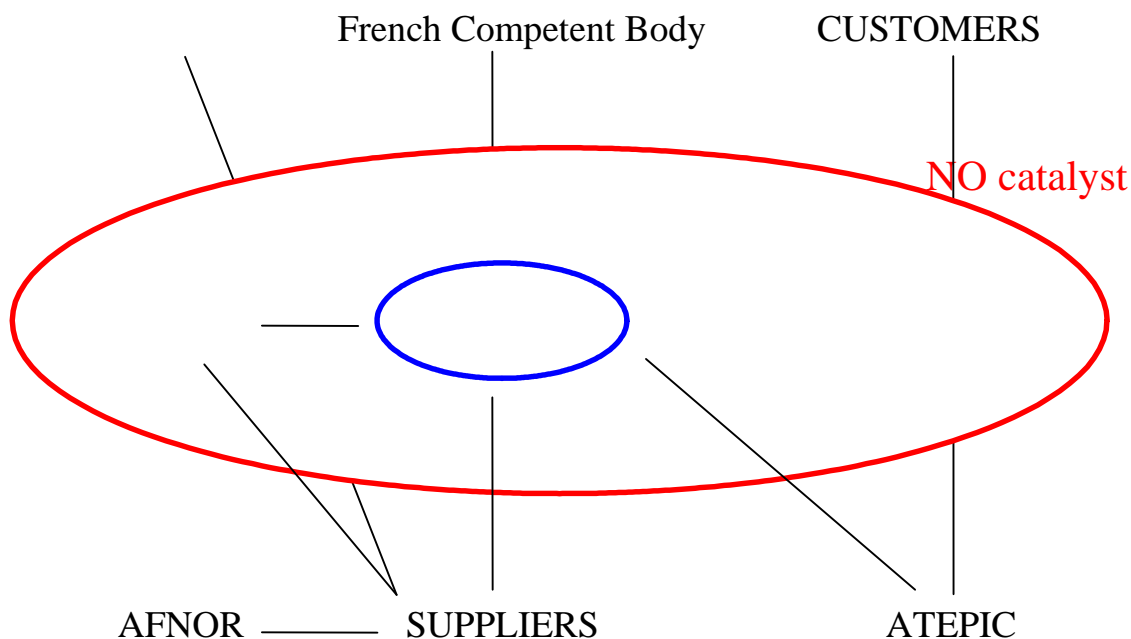
The case of *Libert Paints and Co.* was initially not a big success story. The case was investigated in order to find out whether any 'fatal flaws' had occurred and which lessons could be learned from this example. In short, *Libert Paints and Co.* did have a network for make application for its product, but did not have any network for supporting its product launch and the company did not undertake any major marketing efforts for its Eco-Labelled paint either. It is a good example to prove that the Eco-Label does not sell itself at this moment, but that a broader framework of external actors, together with targeted promotional efforts should support the product launch. It also warns for exaggerated optimism about huge price margins for Eco-Labelled products; 'green' price margins may be possible, but should not be overestimated.

"*Libert Paints and Co.*" is an SME, owned by the family Libert, and is located in Gent (Belgium). The family Libert owns a second paint manufacturing plant, called "*Oxyplast Belgium*" and which is located on the same site. *Libert Paints and Co.* produces liquid paints, while *Oxyplast Belgium* produces powder paints. Both companies together have a turnover of about 500.000.000 BEF (about 12.500.000 ECU).

*Libert Paints and Co.* is known within the Belgian paint industry as a very pro-active and innovative company that produces high quality products. It also has a very good reputation in the field of anti-corrosive paints. In the past, its products seem so innovative and challenging that most competitors at first did not believe that *Libert Paints and Co.* would be able to hold its promises.

We had an interview with Mr. Guy CNUDE, R&D manager, on April 23<sup>rd</sup>, 1998. The report is divided into four parts, matching the 4 P's of the 'marketing mix' of Kotler et al. (Product, Price, Place, Promotion). A small comment regarding PUSH and PULL strategies is added at the end.

Figure 9: The Network Actors for the 'Libert Paints &amp; Co.' case



### 1. Product

The Eco-Labelled product is an indoor paint for ceilings. Libert did not have a paint for ceilings yet at the moment of application. Because there is a market for mat paints, Libert decided to develop a product for this niche. It learned from a specialised platform of the paints industry bringing together R&D departments and heavy users of paints, called 'ATEPIC', that it was possible to obtain an Eco-Label for indoor paints. Because *Libert* wanted to be the first company in the industry once again to introduce a high novelty, it decided to develop a suitable product for Eco-Labeling. (*Libert* was sure that it would be the first mover, because there was a lot of scepticism regarding the Eco-Label within the Belgian paint industry.)

The product development phase took about 4 months. The main difficulty was the development of a suitable resin. The problem was that most commercial paint resins contain a relatively high percentage of monomers, which result in a high concentration of VOC's. To develop the resin, *Libert Paints and Co.* worked together with a supplier. The other components of the paint were developed in-house. The main trade secret of the paint is the resin. *Libert Paints and Co.* thinks it does not really have a sustainable competitive advantage, and it expects that its competitors could (and will) bring a similar product on the market soon. If its product proves successful, *Libert* expects 4 to 6 immediate followers in the Belgian market.

*Libert* received an award for the product for one year. The costs for application and for use of the Eco-Label were considered "feasible" by the company.

The motive for the application was completely internal. *Libert Paints and Co.* wanted to be the first mover within its markets. There was no demand for this product by wholesalers, retailers or consumers. There was no market incentive to prefer the French competent body; if the Belgian would have been operational, it would have applied in Belgium; *Libert* does not even have clients in France and is not actively seeking clients there either.

*Libert Paints and Co.* considers the criteria for Eco-Labelled paints as not being extremely tough, and is convinced of the fact that the quality of Eco-Labelled paints does not (have to) suffer because of restrictions regarding the product formulation set by the Eco-Label criteria. The company will certainly try to develop other products on a water base instead of the traditional alkyd base, if there proves to be a market for this type of paints.

The experience of this company with the E.U. Eco-Label was still limited in April 1998, because it received the award only in January 1998. The Eco-Labelled product will serve as a test-case before an application for other products will be submitted.

## 2. Price

*Libert Paints and Co.* had hoped for some price premium because of the objective 'green' characteristics of its product. It launched the product with a 'slightly higher price'<sup>2</sup> than that of competing ceiling paints of other manufacturers. It was the first product in this niche for *Libert Paints and Co.* They organised some very limited promotional initiatives. (These efforts are described in detail under 'PLACE' and 'PROMOTION'.) At the same time, a financial discount was foreseen for larger orders; if one ordered 1000 litres of paint, one got 100 litres extra for free.

*Libert Paints and Co.* is not a bottom-price seller. (See '3. Place')

The pricing strategy did not prove successful. Within the first three months, there was not a single order for the product. This caused a lot of concern within the company, because the management knew its product was technically very good and because it thought there ought to be a market of green consumers for the product.

The lack of success made the board of directors decide to reduce the wholesale price by 40 % (!). Then suddenly, the market took off and orders were entered.

Without jumping to conclusions, because price aspects need to be correlated with the other P's of the marketing mix, it proved under these conditions that a significant price premium could not be obtained. (And price premiums are of course very important motives for companies to apply for an Eco-Label.)

## 3. Place

*Libert Paints and Co.* has a reputation of producing high quality products and many final consumers of its paints are professional painters. These professionals are very loyal to the products they use and they want a small and specialist distribution channel, to be able to resell their products with an attractive margin to their final consumers. Furthermore, the company is a small manufacturer with limited production capacity, and does not strive to sell big volumes.

These factors make that *Libert Paints and Co.* only sells its products through specialised distribution chains, consisting of smaller paint shops for professionals and demanding individuals. It does not deliver to large retail chains or do-it-yourself shops, because this requires high volumes and low wholesale prices, and also results in lower retail prices for the final consumers. Switching from distribution channel would destroy its very loyal client base, because the professional painters would be confronted with clients who can buy the same high quality paints for a bargain price.

Problems with the introduction of the novel paint could have to do with the conservative behaviour of professional painters (who often give guarantees to their clients regarding their paint works). This conservative behaviour made that *Libert* recently introduced a new indoor paint line for doors on an alkyd base, because clients seem to expect an alkyd odour when they use a 'good' paint of this type, while it would technically have been possible to make the same paint with the same quality standards on a water base.

A second factor could be a lack of knowledge, training, experience and motivation of the shopkeeper regarding Eco-Labelled paints, so he will not advise the product easily to his demanding clients. (The market segment does not make it probable that prices are of dominant importance.)

*Libert Paints and Co.* is now exclusively selling in Belgium. Because it is an SME with limited resources, it cannot set up a sales departments in other Member States. In case of market opportunities,

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<sup>2</sup> The claim of the 'slightly higher price' was not checked. It is clear that a substantially higher price could have been the cause for limited sales figures.

it would be prepared to sell outside Belgium. This again proves the need for export support for SME's within the Eco-Label network.

This example proves that chain management of the clients is essential. If the clients (mostly wholesalers or retailers) do not actively promote the Eco-Labelled product, it will not obtain enough visibility and thus will not sell.

#### 4. Promotion

*Libert Paints and Co.* ordered its external marketing and communications advisor to produce a flyer regarding the Eco-Labelled paint to accompany the product in the shop, and to produce an adapted label for the paint containers with an Eco-Label. The flyer was distributed to the client base of specialist paint shops. A letter was sent to the clients that they would receive a 10% volume discount in case of large orders (100 litres of paint for free if one orders 1000 litres or more).

*Libert* hardly did anything to promote the product, according to the R&D manager. He would have preferred an extensive marketing campaign to get the product launched, but the means available were too limited for this family-owned business to organise a big campaign.

Furthermore, the right marketing strategy as perceived by the R&D manager, would not consist of a PUSH strategy (pushing of the product through the distribution channel, by targeting the marketing campaign on the supply chain actors), but of a PULL strategy (pulling the products through the distribution chain, by customer demand, created by targeting the marketing campaign towards the final consumer).

*Libert Paints and Co.* was heavily interested by the possibility to receive some (financial) help with the marketing of Eco-Labelled products. It thinks that the public at large is interested in 'green' paints, but that this public is unaware of its existence. By awareness raising, *Libert* thinks that a huge market for water-based paints could be created. *Libert* cannot invest heavily in reaching consumer markets, because of limited financial resources and because no guarantees can be given regarding the commercial success of this type of paint (especially because there is no plan yet to switch existing products massively towards water based paints).

*Libert Paints and Co.* also highlighted an important Belgian health issue regarding paints and high concentrations of low-level ozone during summer smog periods. At the government level, the issue was raised in 1997 to introduce an official ban on the use of paints during problem periods in summer. According to *Libert Paints and Co.* such a ban would not be necessary in case water-based paints would be used in those periods, because of their very low content in VOC's, and so this type of paints would not add to the ozone problem. This would allow professional painters to continue their job the year round.

The limited promotional activities by *Libert*, proved inefficient. Larger or more intense promotional activities are required (see als '5. Reflections...'). The awareness raising of a broader public requires a major effort of all potential network actors. The absence of such efforts seems to reduce the chances of success for the launch of Eco-Labelled products.

#### 5. Reflections Regarding the Marketing Efforts of Eco-Labelled Paints

It can be argued what type of marketing strategy is the most appropriate (PUSH or PULL), because the success of either strategy is heavily depending on the accompanying efforts. Furthermore, both strategies have their merits and their drawbacks.

A PUSH strategy for paints could be highly successful, if the professional paint users would be convinced of the high quality of water based paints in some way. (This could be done by product guarantees by the manufacturer; training and awareness raising activities; information leaflets, video's, etc.; and could be targeted towards shopkeepers as well as professional painters.)

It could not be expected that the highly conservative professional painter, would have been attracted by the information leaflet or the adapted product label. In most cases, these people are not big intellectuals

and it does not sound attractive to them to read an information leaflet. Even then if they would, they would probably not change their behaviour because of this information. It would most probably demand a more interactive and interpersonal approach to change these persons' attitude and consequently their purchasing patterns. A first approach to tackle this awareness problem, could be to rely on the support of a professional organisation of painters, or even on the federation of paint producers.

Highly interactive training is another promising approach, but has a high price tag.

At least it sounds reasonable to include training on products with Eco-Labels in these people's school training, because it would familiarise them with the use of the products. Similar efforts are being undertaken regarding EMAS and ISO 14001 in some technical schools in Belgium.

Once a significant core of professional painters has been reached, the use of Eco-Labelled paints may spread itself to other painters.

PULL strategies can be very useful too, especially for general awareness raising purposes, meant for a large public. It allows for general marketing campaigns, informing people of all kinds of product groups at the same time, raising awareness in general on a broad scale, making it clear how Eco-Labelled products can be identified, where they can be found, etc.

The drawbacks are however, that general, non-targeted marketing campaigns will always be expensive; and that the desired outcomes, consisting of a better understanding of the issue and of a switch in behaviour and purchasing patterns, are uncertain.

Individual companies, except perhaps for powerful multinationals, will not be prepared to invest heavily in awareness raising campaigns because of the financial efforts. Therefore a broad network of actors promoting the Scheme by different channels over a long period, seems essential.



## 7. POLICY SUGGESTIONS

The above described networking actions, experimented in Italy and Benelux by conducting in-field activities in close cooperation with focal-companies, were evaluated at the completion of the project in order to identify indications and suggestions for improving the Eco-Label promotion strategy defined by the promoters.

This chapter summarises the results of the evaluation in some suggestions that we propose in a policy perspective. Although the following suggestions aim at involving all the relevant actors in the promotion and diffusion of the Eco-Label, they will be explicitly addressed both to the European Commission DG.XI.E.4 and to the Competent Bodies operating in the four countries analysed in this project. This will allow for direct and operational suggestions to these two principal actors involved in the promotion of the scheme, with respect to what they can do to improve and develop the Scheme in the target-countries.

The experience of the project clearly showed that, within the target countries, a **networking approach produces positive results** in terms of Eco-Label development.

As we have seen, the limited diffusion of the Eco-Label in the target countries is mostly due to the barriers that the companies interested in the scheme are facing in terms of lack of information, competitive stimuli and resources. A very effective way for these companies to overcome the barriers is to seek support by external actors that are capable and willing to cooperate with them in pursuing the Eco-Label objective.

Cooperation between the company interested in the EU Eco-Label and many external actors (see chapters 5 and 6) within a network could enable it to achieve the results of participation in the scheme and fruitful promotion of the eco-labelled products.

Networks involving all the actors interested in the Eco-Label diffusion are the most effective solution to tackle the hindering factors for the Eco-Label development described in chapter 4.

The results of the in-field experimentation activities confirmed that by seeking and establishing cooperative relations with some relevant partners, a company can succeed in completing the Eco-Label adoption process and in gaining the competitive advantages connected with the use of the label on the market.

**Networking** and **cooperation** are proposed to the European Commission (EC) and to the National Competent Bodies (CBs) as two key-words emerging from our pilot project. Not only in «starting up» and activating the application of the EU scheme in a member country is the network approach useful and effective (as it happened in some of the project target-countries, like Italy and Belgium), but also in continuously prompting and sustaining the diffusion of the scheme among interested companies, even once the scheme has definitely «taken off». In our pilot experience we acknowledged that the network is not a static solution to the problem of pushing up the Eco-Label during its first steps in a member country but, at the opposite, it is a virtuous circle that can be improved, integrated and enriched dynamically by the gradual participation of many different actors at different stages (it is a kind of “upward spiral”, see chapter 5). This virtuous circle is able to involve and support many companies along with the diffusion of the scheme within a country.

It is by promoting, favouring, facilitating and supporting cooperation and networking among the actors involved in the scheme that the EC and the national CBs will be able to enhance and develop the Eco-Label in many member countries.

According to the results of our project, we will therefore present policy suggestions focusing on how to **start up, prompt** and **continuously sustain networking actions** aimed at promoting the EU Eco-Label.

In the following paragraph, we will provide some suggestions regarding the creation and development of networks in situations where the EU Eco-Label is at an early stage of development (i.e.: no or very few companies are participating in the scheme) and «first movers» have to be identified and supported to overcome the «impasse».

In paragraph 7.2, we will provide some general suggestions regarding networking actions that could be implemented in order to support and improve the system, once the EU Eco-Label has taken off and is effectively working (i.e.: a significant number of companies is already participating in the scheme). In

this second case, the main policy objective should be that of favouring and supporting the participation of more companies to the scheme by diffusing information about the Eco-Label and offering opportunities for cooperation to all the interested actors. This can be achieved both by supporting and keeping alive existing networks, and by starting up new networks in different and unexplored contexts.

## **7.1 Eco-Label in its «Take-Off» Phase: Network Creation as a Breakthrough**

The project experience showed that when the EU Eco-Label scheme is at an early stage of development, within a country or a specific industrial sectors/product group, actions undertaken at a general level are not very effective. Both in Italy and in Belgium, wide-scoped sensitisation actions towards producers and consumers have not produced significant results in terms of participating companies. Raising the awareness of the actors involved (especially of the consumers) is, with no doubt, a very important action and could be considered a minimal and necessary condition for the «take off» of the scheme. But this kind of actions is not enough in situations where the hindering factors that we described in chapter 3 (lack of information, perception of the label as a weak marketing tool, «political» opposition to the scheme) are preventing producers to adopt an Eco-Label-oriented strategy.

On the basis of the project experience, we proposed a promotion strategy focused on the creation of networks of actors surrounding and supporting the companies willing to adopt the Eco-Label. This enables interested companies to overcome the lack of information and resources, fully perceive the actual and potential value of the label on the market and break the «political» and competitive stillness, which is paralysing the applications for the Eco-Label in many sectors and countries.

The creation of networks should be carried out through very specific support-actions focused on a company (or a group of companies) and tailored to the features of the context in which it operates.

In carrying out this activity, the role of the **catalyst** is absolutely crucial. As we have seen, the catalyst is the actor who promotes the network, by identifying actors to be usefully involved, facilitating contacts and favouring cooperation between them, co-ordinating and finalising their actions towards the goal of the participation in the Eco-Label scheme. The catalyst is the main actor of the promotion strategy, as it takes responsibility for the start-up and implementation of the network. Every actor interested in the diffusion and promotion of the Eco-Label can play the role of catalyst: the Competent Body itself, a trade association, a consultant, a local agency, a university, an NGOs, a consortium between companies or even a company on its own, searching for external support. This depends on the specific contexts in which the companies interested in the Eco-Label operate.

The task of the catalyst is central in our approach for the promotion of the Eco-Label, insofar as he/she becomes the *pivot* for all the possible actions to create a network.

A promotion strategy based on cooperation and networking to incentivate and sustain companies' participation in the scheme, in fact, can be implemented in different stages.

### *a) What are the target-companies for the networking actions?*

In order to correctly implement such a promotion strategy, at the very first stage we should identify the «first movers», i.e. the companies which are available and willing to undertake the Eco-Label adoption process. As we have seen in this report, this is not an easy task for any actor who is in charge of managing the scheme at the different levels (European, national, local), neither for a catalyst (whoever he/she is).

According to the project experience, the identification of potential «first movers» needs to be carried out by means of a «door to door» activity aimed at raising the interest of the target-companies, providing them with information about the scheme, trying to convince them of the opportunity to adopt the label and helping them to tackle the preliminary difficulties they face at the operational level. This activity implies a relevant effort in terms of resources and time, but it seems the only way to achieve significant results.

Furthermore, the project experience shows that one should search for «first mover» companies especially among:

- **NON-MARKET LEADERS** - If a company holds a leading position (both in terms of market shares and with respect to the environmental product quality perceived by consumers), it will rarely be attracted by the competitive opportunities offered by the Eco-Label. On the opposite, if a company is struggling to effectively compete with one or more market leaders and needs to differentiate its supply, to target new market niches or to strengthen its environmental image, then the Eco-Label represents a powerful means to empower its (green) marketing strategies.
- **FREE-RIDERS** - If the large majority of producers operating in an industrial sectors (or within a product group) is opposing the application of the EU Eco-Label scheme, eventually backed by the referential federation or trade association, then companies willing to adopt the Eco-Label can be found among the free-riders. By «free riders» we mean companies that:
  - (1) are not operating in trusts or competitive oligopolies;
  - (2) are not subjected to formal or informal agreement against the diffusion of the Eco-Label;
  - (3) are not in line with the position of the federation or trade association (if this is opposing the Eco-Label);
  - (4) are willing to break settled equilibria and benefit from the «first move» advantages.
- **INNOVATION «FRONT RUNNERS»** - The companies that are willing to participate in the scheme and pursue a marketing strategy based on the Eco-Label are often «advanced» also on the technological frontier and are prone to environmental innovation of product and processes. As we have seen in the case studies (see chapter 6), the project experience widely confirms this attitude. The adoption of the Eco-Label is considered as a «natural» result for those companies that are used to innovating in many fields of their activities. Companies with high rates of technological innovation in the production processes, companies acquainted with the utilisation of cleaner technologies, companies traditionally pursuing product innovation, companies adopting environmental management standards (like EMAS or ISO 14001) and companies experimenting new marketing strategies should be considered as promising targets for a network-based promotion strategy.
- **SMALL AND MEDIUM-SIZED ENTERPRISES** - Networking proves to be fruitful and effective especially when aimed at supporting SMEs. In some countries, like Italy, most of these companies are non-market leaders and, moreover, they often have to act as free-riders to survive in the competition arena. Moreover, many SMEs are highly innovative as to both technological and environmental aspects of production and marketing strategies.

These companies are among the most interested in the Eco-Label opportunities and eager to undertake environment-oriented innovation strategies based on the use of Eco-Labels. Most of the times, their participation in the scheme is curbed by barriers and difficulties due to their lack of human, technical and financial resources. Cooperation with external actors is the only way for SMEs to overcome these barriers: therefore, these companies could be usefully contacted as targets for a network-based Eco-Label promotion strategy.

It is noteworthy that most of the companies involved in the project's experimental activities were SMEs, and that **these companies obtained the most successful results**. As we have seen in the case studies (see chapter 6), for instance, the first company to adopt the Eco-Label in Italy was an SME (Lucart), as SMEs were the first applicants in many other product groups (indoor paints with Baldini, copy paper with Favini, bed linen with Madival). The first company to adopt the Eco-Label in the Netherlands was an SME, too (Frenko, which is not a member of any federation).

This shows that the SMEs which are intensively competing on the market (also with large companies) need to continuously innovate their products and sharpen their marketing strategies and, therefore, are willing to grasp new opportunities for improvement and growth. This explains why many SMEs are interested in the Eco-Label and, when adequately supported, are willing to utilise it as an innovative marketing tool, as well as an effective instrument to manage the environmental performance of their products.

*b) How should the companies be involved?*

A particular attention within the promotion strategy should be paid to the need of involving companies in the networks.

It is not easy nor immediate to persuade a company of the opportunity to take part into a network aimed at supporting the adoption of the Eco-Label.

First of all, it is necessary to address and reach the «right» person, capable of taking and backing the decision of both adopting the Eco-Label and starting up the network.

Secondly, it is fundamental to obtain a strong commitment from the persons operating within the company that, once the network is «running», are able to endure the cooperation with external actors and manage contacts and relations within the network.

The project experience demonstrates that the relation with the contact-persons of the companies is extremely important to motivate and support them towards the Eco-Label.

The different functions inside the company can play different roles in the process leading to the creation of a network with external actors for the Eco-Label.

The various functions of the company, in fact, have dissimilar approaches with respect to the environmental aspects of the products, different motivations for (or against) the adoption of the Eco-Label, divers background and expertise (that influence their attitude towards the connected opportunities).

Within the activities of the second phase of the project, for example, we experienced the dramatic difference between the attitudes of the technical and environmental personnel (e.g.: the environmental managers, the responsables for the production process, the product managers,...) and the marketing managers of the contacted companies.

On the one hand, the environmental and technical «experts» of the companies were rather sceptical towards the Eco-Label: many of them expressed some kind of «political» opposition to the scheme or to the criteria, others declared that the environmental performance of their products was higher than that certified by the Eco-Label, others stopped the Eco-Label adoption process owing to technical difficulties in complying with the criteria.

On the other hand, marketing managers were, at first glance, always enthusiastic about the market and promotion opportunities linked to the adoption of the Eco-Label, and were supportive of the networking actions implemented during the project.

In many focal-companies participating in the project, the «contrast» between these two functions was brought in front of the management (usually a CEO), who took the final decision about the adoption of the Eco-Label and guaranteed the necessary commitment and support for the networking actions.

A clear indication emerging from these cases (and, more in general, from the experimental activities of the second phase) is that the contribution of all the functions involved (or just interested) in the Eco-Label adoption process is of paramount importance for a positive outcome.

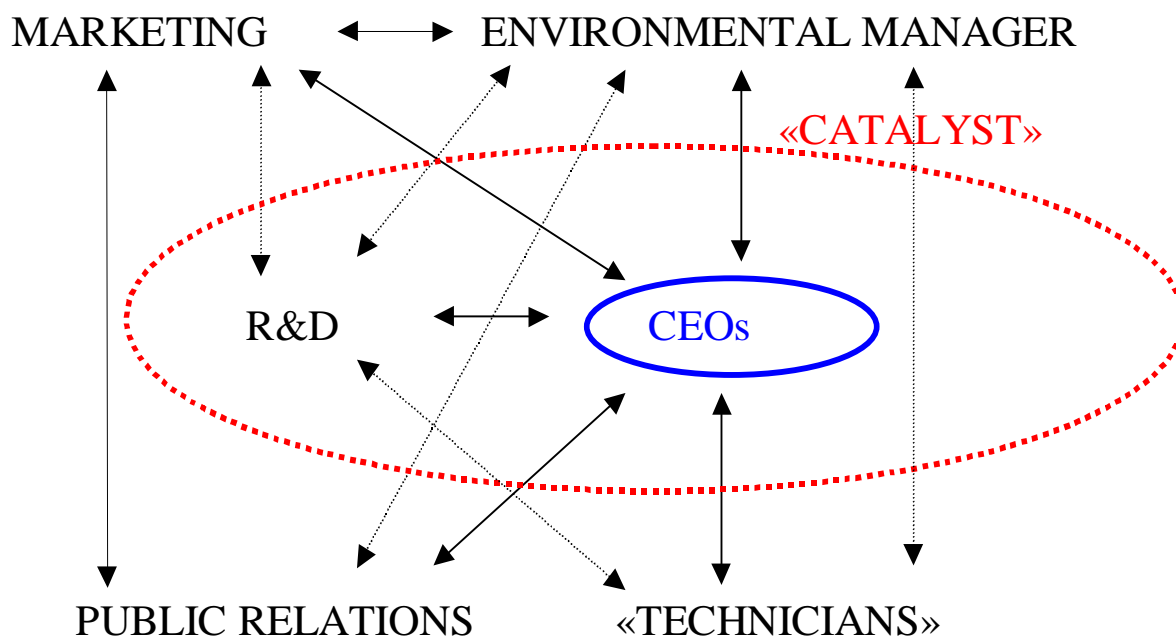
In our experience, coordination and cooperation between functions operating within the company that pursued Eco-Label adoption was a key factor for the success of the whole networking action (being as crucial as cooperation with the external actors within the network).

Each functions should play its role and cooperate with the others: the CEOs should express their commitment towards the Eco-Label and concretely support all the networking actions, the technical and environmental experts should perform the feasibility study and (eventually) implement the necessary improvement measure, the marketing managers should be able both to carry out a preliminary market opportunity assessment and to define and enact effective marketing activities, by exploiting the benefits and advantages of networking with external actors.

A task of the catalyst during the project was also to promote integration among these functions and between them and the external actors. What emerges from the experimental activities is that there is an **internal network**, which is as important as the external network in the Eco-Label adoption process.

In order to actively involve a company in an Eco-Label-targeted network, a catalyst should look for the commitment of the higher levels of the organisation (i.e.: the CEOs) and, simultaneously, promote the cooperation and integration between all the interested functions, before starting up the network with external actors.

**Fig. 10: THE «INTERNAL» NETWORK**



*c) How can the network be defined and implemented?*

No universal or «easily transferable» indication emerges from the project on how to structure and start up effective networks. On the opposite, the only clear indication is that networks should be tailored to the specificities of the industrial, market, institutional and social context in which they are implemented.

As we have suggested in chapter 5, there are some typologies of external actors and stakeholders which can be usefully involved in the network.

The experience of our project emphasises the role of retailer and large customers as powerful drives towards the Eco-Label, as well as the role of «intermediate institutions» (such as local trade associations, chambers of commerce, local development agencies, universities and other NGOs) as supporting actors and, in many cases, as facilitators of the networking actions.

We will propose some initiatives targeted at all these actors in the next paragraph. Those initiatives could be implemented once the network has been created. But first the actors need to be involved in the network and induced to cooperate with each other and with the focal companies. In the project experience, this was again a «door to door» activity, which cannot be rationalised or generalised in a model. The network approach implies that a catalyst undertakes a strong promotion action, **tailored to the specificities of the context in which the focal company operates**, to identify potential external partners, define possible networking actions (mutual support in the feasibility study, common efforts in evaluating market opportunities, exchange of information and competence, co-marketing strategies, etc. - see chapters 5 and 6) and promote the implementation of the network.

At the operational level, indications as to creating and managing networks are even fewer. Much depends on the stage (or the «step») of the Eco-Label adoption process which a company is going through. An effective network should not have a rigid composition, insofar as companies need different kinds of support at different stages (see chapter 4). **Flexibility** calls for the involvement of an external

actor when his/her contribution is needed by the focal company or it can be useful for the whole network. In other cases an external actor can be involved only when cooperation offers benefits and advantages that are able to attract him/her in the network.

Moreover, as we have seen, external actors may find interest in the Eco-Label and motivations to participate in the network at very late stages of the adoption process (e.g.: in the marketing activities), or even when the network has already produced positive results for a number of companies (e.g.: a trade association is not eager to support only few associated companies participating in the scheme, but it usually changes its attitude when a relevant number of companies in the sector find the Eco-Label interesting).

**Geographic and sectorial proximity** seem to play a key-role in favouring the creation of Eco-Label networks, at least in some of the target countries (such as Italy). Cooperation between SMEs operating in the same area and with similar production processes proved to be particularly effective in our pilot experience. With reference to the Italian context, for example, the rooted collaboration attitude of SMEs located in the so-called «industrial districts» is a key facilitating condition to promote and diffuse environmental voluntary instruments, such as the Eco-Label, among smaller companies. Policy makers should take into consideration the opportunity to define environmental labelling schemes connected with the production of a homogeneous industrial area, rather than just with the product of a single company. This would allow for relevant competitive advantages for the whole area and would favour cooperation between SMEs, in order to share resources and exploit all the possible synergies in environmental product management.

## **7.2 Enhancing the Eco-Label Diffusion: «Push the Actors to Pull the System»**

The implementation of networks to support the participation of «first mover» companies in the Eco-Label can start up many local «virtuous circles» involving different external actors that cooperate for the promotion of the scheme. This kind of networking interaction between social, economic and institutional actors should not be finalised only to the adoption of the Eco-Label by the first mover company, but it should be able to produce stable cooperation dynamics and mechanisms. This would perpetuate the network and make its supporting activities available for other companies interested in the Eco-Label.

While in the EU Eco-Label take-off phase the creation of networks proves to be an effective spring for the diffusion of the scheme, once it has been successfully launched the promotion strategy should aim at more wide-scoped actions for stimulating the spontaneous birth of new networks and the strengthening of the existing ones. This means that, when the scheme has completed its take-off in a country or in a sector/product group, the promotion strategy does not need to focus on specific individual networks to sustain the activities of first movers anymore.

The strategy can rely on the self-prompting capacities of the scheme (basically in terms of competition between producers) and operate at a more general level, by promoting and support networking between actors.

The objective of the promotion strategy in this phase remains that of attracting new applicants and support them in the Eco-Label adoption process. But this can be done by proposing and initiating activities aimed at strengthening cooperation between the actors involved in the scheme, to favour and facilitate the networks.

On the basis of the experience reported, we can say that the Eco-Label-targeted network are useful because they provide external support to companies. This enables the companies to overcome the barriers they face in the adoption process. The support these companies receive by operating in a network is of three kinds:

First, the networks improves **communication and circulation of information** among the actors involved. As clearly emerges from the project experience, this brings about significant benefits to all these actors and, especially, to the focal-companies. Better communication with the stakeholders,

business partners and customers helps the companies to correctly perceive the potential competitive advantages, the real value of the Eco-Label on the market and the possible improvement of the environmental image. Information is needed by the company to assess the technical and economic feasibility of the Eco-Label adoption, as well as to prepare and carry out the application procedures in the shortest time possible. Communications with retailers, consumerist and environmental associations, NGOs, intermediate institutions allows for a better coordination in undertaking co-marketing initiatives for the promotion of the Eco-Label (and, eventually, of the eco-labelled products, as we have seen in chapter 6).

Second, the network provides **resources** that the company may lack. Technical resources could be made available within a network by external actors that are interested in the development of the scheme (laboratories, trade associations, centres of excellence...). Financial resources represent a helpful hand, especially for the hundreds innovative SMEs that may be interested in the Eco-Label. There are some actors that can be involved in a network and offer their support by favouring the adoption of the Eco-Label (credit facilitation by banks, lower premium by insurance companies, direct funding by public institutions). Human resources, expertise and competence can be shared by companies participating in the same network, or they can be provided by public or intermediate institutions interested in the diffusion of the scheme.

Third, the network is an extraordinary laboratory for **capacity-building**. All the institutional, social and business actors involved in an Eco-Label-targeted network can learn how to better fulfil their task in the application of the scheme. There are chances for the company personnel to acquire competence on product environmental management, there are chances for national and local institutions representatives to improve their capacity of managing the activities connected with the Eco-Label (promotion of the scheme, integration with other environmental policy instruments, public purchasing, and so on). In few words, the network offers a great opportunities for all the participating actors to learn more about their role in the implementation of the Eco-Label scheme.

Information, resources and capacity building opportunities should be offered to all companies interested in the Eco-Label, even when the scheme has completed its take off and is effectively working. This is the reason why the promotion strategy, in a long-run prospect, should focus on actions to favour participation by all kinds of actors in Eco-Label-targeted networks. In other words, the long-run promotion strategy should aim at «pushing» the actors to cooperate in order to facilitate the adoption of the Eco-Label by companies (i.e.: «pull the system»).

In the following paragraphs, we propose some general actions that can be implemented to promote the diffusion of the Eco-Label<sup>3</sup>. These actions are addressed to seek the involvement in the networks of different external actors: they are therefore aimed at stimulating the cooperation of each typologies of external actors with the company. Although the following actions are mainly suggested to the Competent Bodies, in some cases (according to the suggested “network-promoting tool”), they can be promoted and implemented also by (or with the contribution of) other actors: the government, the intermediate institutions, the NGOs, a catalyst or some of the network actors, including the company itself.

#### *a) Actions involving traders, retailers, buyers*

We believe that the most effective action to stimulate the Eco-Label development will be the involvement of these external actors in the implementation of the scheme. Indications emerging from our pilot project show that cooperation between retailers/traders and the companies can produce very positive results in terms of Eco-Label diffusion. In order to facilitate and favour this cooperation, the following actions could be undertaken:

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<sup>3</sup> Suggestions on how to improve EC Regulation n. 880/92 were not in the scope of this project, hence the following actions do not refer (other than in general terms) to relevant modifications or integrations to the EU Eco-labelling Scheme, to product groups or to environmental criteria.

- training courses on the opportunities of «green purchasing», in order to provide retailers and traders with information on environmental-friendly products and build their capacity of «buying green»;
- attracting the retailers towards the supply of eco-labelled products with promoting initiatives (such as, for example, a contest for the «green saler of the year» for the retailer that sells more eco-labelled products);
- sponsoring initiatives of the retailers to value and give room to the eco-labelled products at the points of sales.

#### *b) Actions involving environmental associations and other NGOs*

The key supportive role of the NGOs interested in the development of the Eco-Label has been emphasised in this report. Some of the actions aimed at stimulating and favouring networking between them and the companies interested in the Eco-Label are the following:

- diffusion of information and sensitisation towards consumers together with companies by means of common public initiatives;
- co-marketing initiatives (e.g.: logo of the environmental associations near the Eco-Label in advertisement);
- free association to the NGO of customer that buys the eco-labelled product of a company if a certain number of eco-labelled products is purchased («stick the labels on a card and send it to the environmental group»).

#### *c) Actions involving suppliers*

Chain management is one of the key-action for a company that intends to successfully complete the Eco-Label adoption process. Involving the suppliers and making them comply with the Eco-Label criteria pertaining the supply chain is one of the most challenging step of this process. Some of the actions that could stimulate the cooperation with the suppliers are described here below:

- defining a list of companies capable of supplying intermediate goods and services that comply with the Eco-Label criteria;
- defining an Eco-Label-connected certification system for suppliers that provide intermediate goods and services to companies with the Eco-Label (in order to attribute a recognition also to companies for which there is no product group);
- training and information initiatives addressed to suppliers, organised in cooperation with companies whose products are eligible for the Eco-Label.

#### *d) Actions involving Public Administration at all levels*

Although it was not strongly involved in our experimental activities, we have seen that Public Administration can play a crucial role in promoting the diffusion of the Eco-Label. Some of the following actions are being discussed in many political and institutional fora. By summarising them here below, we would like to emphasise that their relevance was confirmed by our project experience:

- green purchasing and green procurement, within the limits fixed by the European Commission;
- favouring the companies that adopt the Eco-Label (not just by buying their products but also in public contests,...);
- integration with other environmental policy instruments (including the need for harmonisation with national labels);
- possible fiscal measure to favour the purchase of eco-labelled products by consumers (refunding systems, VAT reductions and so on).



*e) Actions involving banks and insurance companies*

This “external actor” can be usefully involved in a network only at late stages, when the Eco-Label has completed its take-off. This is the reason why banks and insurance companies were not involved in the project experimental activities. Nevertheless, by cooperating with companies, we have repeatedly perceived that an Eco-Label recognition and valuing by these actors could be a great spring for the diffusion of the scheme. Therefore we propose the following actions to prepare these actors for networking:

- information campaign on the opportunities connected with the Eco-Label;
- training for administrative personnel to utilise the Eco-Label, or other forms of environmental certification, as an incentive for «greener» companies to obtain favourable conditions;
- agreements with banks and insurance to co-fund a reduction of insurance premium or grant credit facilitation for the above mentioned companies.

*f) Actions at a local level*

As we have acknowledged during the project, a direct involvement of the consumers in a network is a hard task. Nevertheless we believe that information and sensitisation of the consumers is a crucial element for the success of the EU Eco-Label. In addition to nation-wide advertisement and promotion campaigns on the media (see below), during the experimental activities we realised that consumer information and awareness should be also pursued by the promotion strategy *at the local level*. This would be very effective insofar as such a strategy can be implemented with the support of many external actors operating locally: regional government, local associations and NGOs, communities, trade unions, retailers, and so on. This promotion strategy should aim at favouring and sponsoring:

- sensitisation campaigns for schools with the cooperation of environmental associations and/or consumerist associations;
- local government information actions towards local communities, with the support of central government;
- information services for companies provided by local trade associations and chambers of commerce;
- pilot action for the starting up and experimentation in-field of networks for supporting companies in the Eco-Label adoption process.

*g) The European Commission DG XI.E.4 and the Competent Bodies*

The last two kinds of actions we proposed are basically suggested to the European Commission DGXI.E.4 and to Competent Bodies operating in the target countries. These suggestions regard possible actions aimed at providing a useful and effective support in some of the most critical steps of the adoption process:

*1. Actions to provide direct support to companies in the feasibility study and in the evaluation of cost and market opportunities linked with the Eco-Label:*

- drafting sectorial guidelines on the criteria (as it has been done in some cases, e.g.: textile);
- drafting guidelines for SMEs;
- providing information on costs of participation (including the costs of laboratories) as well as on benefits and advantages that the companies could gain by participating in the scheme;
- promoting research activities on the effectiveness of the Eco-Label on the market and surveys on its success among consumers.

*2. Actions to support the marketing activities by the companies:*

- publication of an official document by the EC and the national CBs to officially define a detailed planning of the Eco-Label promotion activities for the incoming year (available for interested companies);

- create a marketing responsible within the EC and the national CB in charge of proposing, planning, promoting and organising initiatives for the marketing of the Eco-Label;
- create a press office that guarantees visibility to the companies that obtain the Eco-Label (for example in the first years);
- publish periodically an updated catalogue describing the eco-labelled products available (e.g.: to be circulated on the Internet).

The reader should be aware that, being the result of our pilot experience, these synthetic suggestions refer to a limited experience and, therefore, should be integrated and enriched by considering the specificities of target companies and contexts of application.

Further analysis and «in-field» experimentation is needed to prove that the proposed network model is usefully applicable in other countries. The role of the «catalyst» actors will be crucial in this perspective.

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