

**Procurement marketing and environmentalism:
The case of German retailers
and
the personal care products industry**

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I hereby certify that this material, which I now submit for assessment on the programme of study leading to the award of Master of Business Studies is entirely my own work and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

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Abstract

There has been a significant amount of research in the area of environmental marketing and the greening of business since 1970. Much of this research has focused on the German market. Typically it is of a general nature. It offers little specific advice to any company seeking to become a listed supplier to any major German multiple. This thesis rectifies the situation. It establishes the exact nature of the environmental demands placed by major German retail chains on suppliers.

The approach adopted comprises both secondary and primary research. The secondary research is a comprehensive review of legislation, consumers, pressure groups, the media and retailer power in Germany. Literature suggests that suppliers may be considerably affected by the impact which German legislation has on the purchasing policy of German retailers and distributors. Similarly, the rise in consumer environmentalism in Germany means that German retailers may subsequently push the demand for higher environmental quality on to suppliers. The activities of pressure groups and the media in Germany may also be making the multiples more aware of the increasing importance of considering environmental quality as a purchasing criterion in the supply chain. The high concentration of German retailers and their subsequent dominance in the supply chain allows them to demand a high level of environmental quality from suppliers.

The primary research involved carrying out in-depth interviews with 19 German retailers. This included 13 of the top 25 retailers in Germany. All 19 retailers together accounted for over 82 per cent of the German retail market. The driving force behind purchasing policy was investigated in the interviews. It was confirmed that legislation, consumers, pressure groups and the media are powerful influencing factors. The interviews revealed that the larger retailers are pursuing a purchasing policy which incorporates a consideration and evaluation of a number of environmental criteria. There are difficulties in implementing this type of purchasing policy. It is predicted that the pursuance of high environmental quality by German retailers will continue and develop in the future.

While this thesis is fundamentally a theoretical study, it will be of practical use to companies supplying retailers in the German market. Although this research focuses on the personal care products industry, the findings are applicable to other industries distributing to retailers in Germany.

Glossary of Terms

German Terms, Abbreviations and Acronyms:

Abfallgesetz	Waste management Act
AGU - Arbeitsgemeinschaft für Umweltfragen	Working group for environmental issues
AGVU - Arbeitsgemeinschaft Verpackung und Umwelt	Working group for packaging and the environment
Anforderungskatalog	List of requirements
Anforderungsprofil	Requirement profile
Arbeitsgemeinschaft der Verbraucherverbände	Association of consumer organisations
Arbeitskreis Hersteller Natürlicher Körperpflege und Kosmetik	Association of manufacturers of natural personal care products
Artikelpaß	Product certificate
Blauer Engel	Blue angel labeling scheme
BAUM - Bundesdeutscher Arbeitskreis für Umweltbewußtes Management	Working group for environmentally conscious management
BUND - Bund für Umwelt und Naturschutz Deutschland	Federation of environmental and nature protection
BBU - Bundesverband Bürger-initiativen Umweltschutz	Federation of citizens initiatives for the environment
BDI - Bundesverband der Deutschen Industrie	Association of German industry
BMI - Bundesministerium des Innern	Federal interior ministry
BMU - Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit	Federal ministry for environment, nature protection and reactor safety
BNNHE - Bundesverband Naturkost Naturwaren Hersteller	Society of manufacturers of natural products
Bürgerinitiative	Citizen action groups
Checkliste Umweltprinzipien	Checklist of environmental principles
CSU - Christlich-Soziale Union	Christian Social Union
DNR - Deutscher Naturschutzring	German nature protection group
Deutscher Tierschutzbund	Society for the protection of animals
DSD - Duales System Deutschland	Packaging recycling company
Einweg	Non-reusable
EHI - Europäisches Handels Institut	European retail institute

FAZ - Frankfurter Allgemeine Zeitung	Frankfurt newspaper
Gefahrstoffverordnung	Dangerous materials regulation
GfK - Gesellschaft für Konsumforschung	Society for consumer research
Grünen	The green party
Grüner Punkt	Green dot packaging scheme
HfM - Handelsvereinigung für Marktwirtschaft	Trade agreement between seven German retailers
Hochwertige Produkte	High quality products
Import-Sicherungs-Initiative	Imports security initiative
IKW - Industrieverband Körperpflege und Waschmittel	Cosmetics, toiletries and detergents association
IFAV - Institut für angewandte Verbraucherforschung	Institute for applied consumer research
imug - Institut für Markt, Umwelt und Gesellschaft	Institute for market, environment and society
Institut für praxisorientierte Sozialforschung	Institute for practical social research
ISM - Institut für Strategische Marktforschung	Institute for strategic market research
Jahresgespräch	Annual meeting
Konsumgüter	Consumer goods
Kreislaufwirtschaftsgesetz	Product recycling and waste management Act
Kriterienkatalog	List of criteria
Lebensmittel- und Bedarfgegenstände-gesetz	Food products and consumer goods Act
Mehrweg	Reusable
MTB - Mehrwegtransportbehälter	Reusable transport containers
MTS - Mehrwegtransportsystem	Reusable transport system
Naturfreunde	Friends of nature
Naturschutzbund Deutschland	German association for nature protection
Öko-bilanz	Environmental accounting and auditing
Öko-Checkliste	Environmental checklist
Öko-Fragebogen	Environmental Questionnaires
Ökologie	Ecology
Ökonomie	Economy
Öko-Test	Product research magazine with a strong environmental orientation
Qualitätssicherung	Quality control
RSU - Rat der Sachverständigen für Umweltfragen	Advisory council on environmental issues
SDW - Schutzgemeinschaft Deutscher Wald	Association for the protection of German forestry
Schutzgemeinschaft Deutscher Wild	Association for the protection of German wildlife

Sicherungsdatenblatt	Product safety data sheet
Stiftung Warentest	Product research magazine
Transportverpackung	Transport packaging
UBA - Umweltbundesamt	Federal environmental agency in West Germany
Umverpackung	Excess product packaging
Umweltbeauftragter	Environmental manager
Umweltfreundlich	Environmentally friendly
Umweltministerium	Department of the environment
Umweltschutzverbände	Environmental protection association
Verbraucherverbände	Consumer associations
Verbraucher Zentrale NRW	Consumer association in one of the German states
Verkaufsverpackung	Necessary product packaging
Verpackungsverordnung	German packaging ordinance

English Abbreviations and Acronyms:

BS	British Standard
BUAV	British Union for the Abolition of Vivisection
CEN	European Committee for Standardisation
CFTA	Cosmetics, Fragrances and Toiletries Association
COLIPA	European Association for the cosmetics industry
ECVAM	EC Centre for the Validation of Alternative Methods
EDANA	European Disposables and Nonwovens Association
EFFA	European Fragrance and Flavour Association
EMAS	Environmental Management and Audit Scheme
EPOS	Electronic Point of Sale
ERRA	European Recovery and Recycling Association
EUROPEN	European Organisation for Packaging and the Environment
INCI	International Nomenclature Cosmetic Ingredients
INCPN	Industry Council for Packaging and the Environment
ISR	Institute for Standards Research
ISSP	International Social Survey Program
LCA	Life Cycle Assessment
LCLN	Liaison Committee on Labelling Nomenclature
NWF	National Wildlife Fund
NPD	New Product Development
OCRA	Organic Reclaim and Composting Association
RSPCA	Royal Society for the Prevention of Cruelty to Animals
TQEM	Total Quality Environmental Management
WHO	World Health Organisation
WWF	World Wildlife Fund

Chemical Terms:

CO ₂	carbon dioxide
CFC	chloroflourocarbon
EDTA	ethylenediamine tetracetic acid
No _x	nitrogen oxide
PCB	polychlorinated biphenyls
PCT	polychlorinated terphenyls
PE	polyethylene
PET	polyethylenerephthalat
PP	polypropylene
PVC	polyvinyl chloride
SO ₂	sulphur dioxide
VOC	volatile organic compound

Chapter one: Introduction

The volume of literature in the area of environmentalism and business indicates the growing interest in the area since the 1970s. Downstream in the supply chain companies are attempting to attract the more environmentally aware consumer and to improve the company's image by engaging in environmental marketing and recycling activities. The importance of a company's suppliers in the whole process is an issue which is often left undeveloped. There has been a notable lack of reference in literature to the area of procurement and environmentalism. In this context the specific focus in this thesis is the environmental quality which German retailers demand of manufacturers of personal care products.

Figure 1.1 (p. 2) diagrammatically represents the structure of the research process. The secondary research aims to uncover the issues pertaining to environmentalism in general and more specifically in the personal care products industry. The literature review determines what legislation, consumers, pressure groups and media are demanding from the business community. It is hypothesised that the business environment created by these sources of pressure coupled with the power of German retailers in the supply chain encourage them to examine their suppliers under the heading of environmentalism. The ensuing primary research questions are grouped as follows:

- *What* exactly are German retailers demanding of manufacturers of personal care products?
 - Are the requirements exceeding legislative requirements?
 - Are they likely to become more demanding in the future?

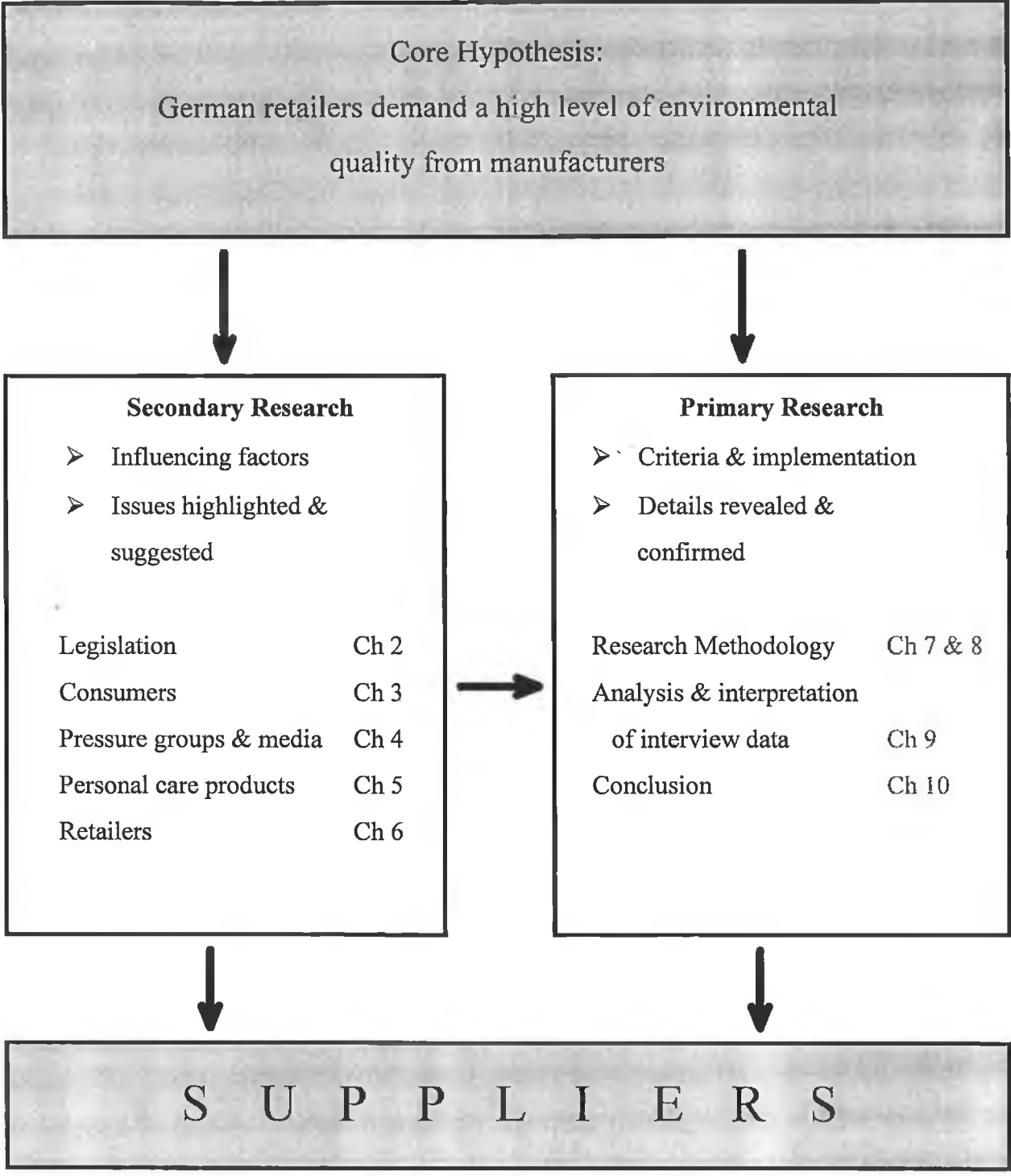


Figure 1.1: Structure of the research process

- *Why* are German retailers setting these standards?

Is it for their own image?

Do they simply feel the pressure - be it from legislation, consumers, pressure groups, the media or from competitors?

Do they genuinely want to do something to prevent the further destruction of the environment?

- *Where* do these requirements apply?

Do the same demands apply to both domestic and foreign suppliers?

- *How* are German retailers assessing suppliers?

By questionnaires?

By visiting the manufacturers?

Do they go so far as to set up partnerships with manufacturers?

As indicated in diagram 1.1 **chapter two** looks at EU and German legislation under the heading of environmentalism. This chapter considers the history and development of environmental legislation and investigates which legislative requirements are most prevalent in the personal care products industry. Cross-national legislative differences are examined in order to highlight the fact that German environmental legislation is more stringent and advanced than the EU equivalent and than legislation in other member states. This helps to justify the choice of Germany as the research target. The central aim of **chapter three** is to consider past research which reveals German consumers' attitudes towards the environment, other factors which influence their purchase decision, their consequential behaviour and how they compare to other nationalities. **Chapter four** investigates the role played by environmental pressure groups and the media in Germany in the rising importance of environmental quality in the business milieu. The significance of environmentalism in the personal care products industry and the size of the

industry in Germany are considered in **chapter five**. **Chapter six** reviews the literature on purchasers' environmental demands on suppliers and on the incidence of retailer power. Together these chapters provide the setting within which the primary research is conducted.

Literature on research methodology is critically analysed in **chapter seven**, while **chapter eight** outlines the approach taken for the purpose of this research task. Prominent German retailers were identified and contacted, with the result that 19 in-depth interviews were carried out in Germany.

A detailed description of the current situation in Germany is given in **chapter nine** - the analysis and interpretation of the interviews. All the issues arising in earlier chapters are presented here from the retailers' viewpoint. The data in this chapter largely support the hypotheses made in earlier chapters, although there are some obvious discrepancies. **Chapter ten** attempts to answer the research questions in a more concise and direct manner by taking the secondary and primary research findings into account simultaneously. The ultimate aim of the research is to illustrate the environmental issues to be considered by all companies wishing to enter the German market through the retail distribution channel.

Chapter two: The legislative milieu

This chapter discusses the environmental legal climate facing companies in the EU and specifically in Germany. It also addresses relevant EU and German cosmetics legislation. The objective of the chapter is to set the scene for the ensuing discussion on the influence of retailers on their suppliers in the area of environmental protection and to discuss some of the issues. After introducing legislation in the context of the environment, section 2.2 looks at the background to environmental legislation and the programmes initiated to confront the problems in the EU. Differences exist across countries and these have notable implications for companies. Particular attention is paid to German legislation. The third section discusses the issues of interest to all companies and the issues specific to cosmetics companies. These issues are hypothesised to influence and be of interest to retailers during the product selection process. The final section of this chapter considers the effectiveness of regulations as opposed to voluntary measures.

2.1 History and development of environmental legislation

All governments today recognise the benefits of including green issues in the agenda. The pace of environmental legislation is directly related to increased consumer concern about the environment. Opinions and attitudes expressed in surveys¹ and polls² are difficult to interpret, but it is clear that some shift has occurred in value systems since the 1970s. Post-materialist values set the scene for the current green wave. To some extent the public's concern over green issues is related to external events, to pressure groups' response to them

¹ It can be argued that surveys carried out by such researchers as Mintel, Mori, Gallup and SustainAbility are not specific enough to be comparable. Moreover many of their surveys concentrate on attitudes, which do not always translate into behaviour.

² Similarly, polls carried out by Eurobarometer, Roper Starch Worldwide and Cambridge Report/Research International may not be focused enough to allow accurate interpretation of findings.

and to the media's handling of the facts. Yearly (1991) proposes that in general the process of legislation adoption begins with pressure from special interest groups who aim to lobby government and alert consumers and the public with information on environmental performance. Often companies respond by establishing and sanctioning voluntary guidelines and codes of conduct before legislation is introduced. A public outcry arises if these self-imposed standards are not met, resulting eventually in new legislative measures.

Legislation on the environment dates back to the sixteenth century but most of the relevant laws today (albeit containing loopholes and confusing) were passed in the 1970s after the UN's Stockholm Conference on the Human Environment³ and as a result of strong public awareness of pollution and animal protection. During the next decade most developed countries had updated their laws and passed new ones and set up frameworks to enforce them, e.g. the *Umweltbundesamt* (Federal Environmental Agency in West Germany - UBA) in 1974. Problems with the original laws can be traced back to the fact that they focus on a single problem area, e.g., within geographical areas, failing to recognise the multi-faceted, cross-border effects of pollution. Environmental policy was conventionally based on the desire to protect human health from the harmful effects of emissions and wastes which resulted from production and consumption. The more recent approach takes into consideration the threatened existence of the ecological system and the sustainability of the economic system (Ottman, 1993; Simonis, 1991).

Current environmental issues form the basis of future legislation. For instance, the UN's Brundtland Report of 1987⁴ examined and reported on a

³ The UN Conference on the Human Environment was held in Stockholm, June 5-6, 1972. The adoption of 109 specific recommendations in an Action Plan and The Stockholm Declaration were the main outcome.

⁴ The Brundtland Report was published in 1987 by the World Commission on Environment and Development (WCED). This Commission was set up in 1983, chaired by the then Prime Minister of Norway, Dr Gro Harlem Brundtland and was formed by representatives from 21 countries in all regions of the world. For three years this group of scientists, senior civil servants and politicians studied and discussed peace, development and environmental issues.

whole range of issues dealing with sustainable development. General principles, rights and responsibilities were discussed. Suggestions about legislation within national boundaries and the management of the oceans, outer space, Antarctica and the biosphere (the commons) were made. Twenty two principles for future environmental legislation were laid down (see Appendix A). Retailers who are proactive in this respect may introduce supplier constraints in the area of environmental protection in advance of legislation. An awareness of prominent environmental issues in Germany would indicate potential future areas of concern for retailers when choosing suppliers.

2.1.1 EU legislation

Since the beginning of the EU environmental policy in 1973, five action programmes⁵ have defined the actions of the Community in the area of the environment. The first two action programmes aimed to reduce the pollution already taking place. The third action programme aimed more at prevention and including environmental protection in the planning and legislation of other policy areas. The main aim of the fourth action programme was to ensure that legislation is implemented. It also aimed at more effective integration of environmental policy with other policies, stricter standards, investment, information, implementation of EU legislation, use of a range of approaches to prevent and control pollution, scientific research and international action. There is no legal obligation on member states to apply the measures in the programme although through their adoption by the Council⁶ they show political will to comply.

In total 250 regulations (applying across all EU countries and are enforceable through their courts), directives (laying down standards to which member

⁵ For more detail on these action programmes see Appendix B.

⁶ An explanation of the role of the most significant EU organisations and an explanation of the most prominent terms contained in environmental law are contained in Appendix C.

states must conform, but not specifying how these standards should be achieved) and decisions (applying only to specific cases and binding only those who are the subject of the decision) had legal effect until 1992 (Johnson, 1994). The Commission has been the driving force behind the environmental initiatives of many member states. In some cases it acted as a harmoniser of different national approaches, whereas in other cases legislation may never have been enacted in member states had it not been for EU environmental policy. The Single European Act (SEA) of 1987 provided a legal basis for EU environmental policy and the ensuing Maastricht Treaty in 1992 paved the way for the smooth introduction of environmental measures.

The fifth action programme (1993) engages a new approach to decision making, placing greater emphasis on commitment and interaction. This programme, which co-ordinates all environmental initiatives, has taken on a futuristic focus as opposed to solely solving current problems. The scope of the EU's environmental legislation now takes in issues such as auditing and labelling, agriculture and transport and the marketing of specific goods.

This latest programme is entitled 'Towards Sustainability' and differs from the previous programmes in that the SEA has given the Community a constitutional mandate to take measures to protect the environment, i.e., to be proactive rather than reactive, to address the root of the problems in order to prevent any constraints on the growth and efficiency of the internal market. For this to be possible Johnson (1994) advocates that a change in the behavioural patterns of producers, consumers, central and local governments and citizens is necessary. It is conceivable that retailers in Germany are indeed working towards sustainability by creating their own standards and requirements.

Environmental law is a complex issue, requiring close monitoring of legislation and the introduction of appropriate management systems. Smith and Hunter (1994) claim that in the past EU environmental law has been

relatively ineffective at national level due mainly to vague drafts, unrealistic goals and objectives and absence of the necessary detail. However, since the Maastricht Treaty EU powers encompass environmental law to a greater degree. The European Parliament and Court of Justice also have more clout. The quality of the Commission's work has also improved dramatically in that it emphasises detail and standards and monitors implementation of legislation.

2.1.2 Global, international, national and local legislative divergences

It is intended that this thesis will be of practical use to all suppliers in the German market, particularly foreign suppliers who may not be aware of the more developed environmental legislation in Germany and the consequence that retailers in Germany may seek products which exhibit a high level of environmental quality.

Sustainable economic development is the claimed intention of most European governments today. Companies' use of resources and their exploitation of other environmental factors is being restrained. Companies' decisions are guided not only by the law in the country in which they reside, but also by laws in the countries to where they export and by EU law and wider international environmental agreements and practices. In order to survive companies must monitor environmental legislation at both international and national level in order to identify, assess and exert some influence on the developments (Smith and Hunter, 1994).

2.1.2.1 Existing differences in legislation

Because environmental problems transgress national borders, national policies to protect the environment need to be supplemented at an international level. Within the EU each country reveals a complex pattern of regional, local and national interaction with regard to the co-ordination of environmental legislation (EC Committee of the American Chamber of Commerce in Belgium, 1994). Countries have greened in different ways and at different

paces. Differences in the legal frameworks and electoral systems prevailing in different countries has led to differences regarding the foundation and working of both pressure groups and political parties on a national basis. Moreover, due to different environmental problems and priorities, adoption and enforcement of laws varies widely across member countries. The irony of this fact is that many of the environmental problems are international in context. Yearly (1991) postulates that in the future, international agreements will predominate in Europe, with EU directives overriding national legislation in many respects, thus aiming towards uniformity. Several countries have a highly developed national environmental plan, while others base their national policies on EU legislation. On December 31, 1993, the 11th report on the National Implementation of Community Legislation was published (The EC Committee of the American Chamber of Commerce in Belgium, 1994). It revealed that five of the twelve countries had implemented 90 per cent or more of the directives (covering general policy, waste, water, air, noise, nature, chemicals and radiation protection) into national law. The Commissioner for environmental policies put forward a number of themes for major consideration in 1995, one of which was to bring EU environmental standards up to those of the most environmentally demanding member states and to improve national compliance with EU legislation. For example, a new proposal aimed to bring national laws on the phasing out of PCBs (polychlorinated biphenyls) and PCTs (polychlorinated terphenyls) closer together and the objectives of the packaging directive will be derogated downwards for some countries and upwards for those states with existing objectives which go beyond those set at EU level, e.g. Germany (Economist Intelligence Unit, 1995).

Since each member state has its own range of laws, some driven by EU directives, some being solely concerned with the nation in question, and still others having an international orientation, multinational companies face diverse, often inconsistent, standards and requirements in each country. Regional/local legislation sometimes acts as a forerunner to national

legislation. A variety of regulations existing within one nation can lead to confusion in the marketplace. These local laws may include planning laws, by-laws and safety regulations. National legislation may relate purely to national issues, or it may enact an international agreement. National standards of water pollution, for example, may apply. International Laws, e.g. the Montreal Protocol on Ozone Depletants, generally rely on individual countries for enforcement (although in the EU the international court can enforce them for member states). EU directives on emissions of SO₂ (sulphur dioxide) for example, may be relevant. On a global level use of CFCs, emissions of CO₂ (carbon dioxide) and trace metals must be considered. National trends add to the significance of EU environmental law with developments such as product regulation (packaging laws in Germany), environmental group participation, liability and environmental accounting being the most prominent at present.

One area where significant differences across nations exist is labelling. Uniform guidelines for environmental marketing claims and terms are non-existent. Across EU nations different environmental legislation has been adopted causing confusion over claims made by EU-wide distributed products. Claims of environmental friendliness have come under attack due to their inconsistency, vagueness and the uncertainty caused. Polonsky (1995) suggests that uniform and common governmental regulations would indicate what activities are fair, legal and worthy of promotion in each target market.

Likewise, packaging laws vary considerably - even within countries. Recent legislation in the old German states encourages consumers to recycle materials and to leave unnecessary packaging with the retailer, who in turn pressurises suppliers to cut back on superfluous packaging. It is suggested that if these environmental laws were uniformly enforced throughout Germany, 70 per cent of industry in the five new German states would have to cease doing business. In addition, in these five states the minimal EU standards for water pollution have not yet been met.

2.1.3 Germany

This thesis concentrates on the German market. One reason for this is that German environmental legislation is perceived to be advanced, highly developed and sophisticated compared to other EU states. This necessitates a brief explanation of why this is the case.

Environmentalism in Germany is a post-war phenomenon and today emphasis goes beyond pollution control, emissions and discharges to cover the broader sense of ecology. The movement grew out of an opposition to nuclear power stations, radioactive waste disposal and reprocessing and because of the agitation caused, it can be argued that policy in Germany has been made by the public, pressure groups and the media.

Policy is a broad concept encompassing objectives, guidelines, programmes, goals and preferences. The first federal environmental programme of 1971 was based on the polluter pays principle, but the policy was modified from the outset by the criterion of economic feasibility. During the early 1970s laws were passed against leaded petrol, emissions, nature protection and waste water charges. These were conceptually stable, but because up to the mid-1970s environmental policy-making in Germany was mainly an administrative task, the ambitious legislation was supported by only a few politicians from the governing party. As the economy began to decline, the push for environmental policy festered also and opposing political parties took advantage of the failure of the government to implement existing legislation. Economic issues gained priority over environmental protection as they were not seen as compatible goals at the time. Thus an era of party-political response to the environment began.

The increasingly conservative approach taken by the government in pursuance of economic growth in the late 1970s led to the emanation of *Die Grünen* (The German green party) in 1980. In that year *Die Grünen*, won 1.8 per cent of the

country's vote. This increased to 5 per cent in 1983 and to 8 per cent in 1987. It is suggested that the rise of the greens in Germany can be traced back to the discovery that over half the German forests were badly damaged (Euromonitor, 1989). However, their success is linked to the electoral system in West Germany rather than to an environmentally-oriented society. The supposed incompatibility of economic progress and environmental issues plagued other parties and allowed for the development of the greens (Yearly, 1991). *Die Grünen* did not force the political parties to adopt environmental policies, rather they exerted a subtle, indirect and deep influence on the political system as a whole. Their rise and the influence they exerted on the main political parties and the electorate both in Germany and across Europe is described by Speakman and Speakman (1992, p. 20) as one of the 'most interesting political phenomena of our time'. The Greens initiated ideas and were responsible for putting concern for the environment up front, while other parties capitalised on implementing legislation. The importance of *Die Grünen* lies therefore in the effect they had on the other major political groups. The older parties began attempting to implement environmental issues into their own programmes and activities.

From 1969 to 1986 the *Bundesministerium des Innern* (Federal Interior Ministry - BMI) controlled air, water and noise pollution, radioactive materials and waste. After the nuclear accident in Chernobyl in 1986 the *Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit* (Federal Ministry for Environment, Nature Protection and Reactor Safety - BMU) was set up and took over the environmental duties and responsibilities of BMI. Its mandate is to press for higher standards of environmental protection, but being a small ministry its power in promoting environmental precedence is questionable. Considering that in the 1992-1993 elections both the BMI and the BMU were taken under the wing of the Bavarian-based *Christlich-Soziale Union* (Christian Social Union - CSU), it comes of no surprise that policies adopted since then have dealt very much with acid-pollution (perceived to be high in Bavaria). The UBA, the *Rat der Sachverständigen für Umweltfragen*

(Advisory Council on Environmental Issues - RSU) and the environmental ministries of each state are active in planning German environmental policy.

The environment emerged as a major political issue in Germany ahead of other EU countries due mainly to its political structure and party political competition. Public opinion was also actively engaged. The law is a powerful tool in Germany defining the rights and obligations of polluters, leading to a strong drive to increase environmental standards. The stability of the political system further enhances the strength of the environmental movement in general. Germany experienced industrial growth and with it environmental damage which further assisted the rise of environmentalism. The German economy was relatively strong throughout the 1980s. This, combined with the German economic management style, supplemented the improvement of environmental protection standards and the acceptance that environmental regulation was an economic opportunity (Boehmer-Christiansen and Skea, 1991).

Karl W. Deutsch (in Simonis, 1991, p. 1) said 'The present environmental problems of Germany presumably will be the future environmental problems of many other countries'. This supports the view that German legislation is advanced in comparison to other nations. Richard von Weizsäcker, a former German president, is quoted as having said: 'Only when we learn to value nature for her own sake, will nature allow us to continue our existence long-term' (Speakman and Speakman, 1992, p. 26). The German legislative mentality appears to echo this view.

2.2 The environmental legal agenda

The issues dealt with in legislation could form the basis of retailers' requirements of suppliers. It is therefore advisable for suppliers to be aware of the areas of potential target by retailers during the product selection process.

In light of this it is appropriate to investigate the most prominent environmental topics appearing in legislation.

Directives relating to air quality, water, waste, chemicals, freedom of information and other issues are continually being established. Issues such as eco-auditing, packaging, eco-labelling have been at the forefront of environmental legislation in recent years. Preventing environmental risks in the areas of chemicals, biotechnology, industrial accidents and hazards and labelling and ensuring that where accidents do occur the effects are minimised is a further important part of the programme. Nuclear safety and radiation protection requires monitoring procedures and management. Quick and effective response to environmental emergencies is essential (Johnson, 1994 and Peattie, 1992). Salter (1992, p. 10) claims that sustainability, the main focus of the Brundtland Report, 'is in the process of becoming either a basic current issue or a corporate citizenship issue for growing numbers of companies'. Weidner (1995, p. 84) informs that the coalition government in Germany in 1994 stated that its major environmental policy goal was to 'fix the framework conditions for an ecology-oriented social market economy and...support a sustainable policy'.

Rothery (1993) advises companies to establish their own register of regulations and amendments and to continuously update it. All health and safety regulations warrant inclusion in such a register. Distinguishing between the environmental and health and safety legislation is sometimes difficult as some overlap exists between the two. Elkington et al. (1992, p. 55) advise: 'Know the laws that cover your business. Recognise your limitations. Seek respected technical and legal advice - and cross check with the authorities'. They warn, however, that relevant laws do not necessarily bear the environmental tag. Regulatory and voluntary schemes together encompass all of the relevant issues.

The most important legislative issues affecting all companies are now discussed under a number of distinct headings, namely - water; waste; atmospheric pollution; eco-labelling; environmental auditing; health and safety. Reference is made to both EU and German legislation as appropriate⁷. Germany has approached a number of environmental issues in a novel and noteworthy fashion. *Der Blaue Engel* (the blue angel labelling scheme), *Der Grüne Punkt* (the green dot packaging scheme), the approach to CO₂ emissions and transport, *Die Ökobilanz* (environmental accounting and auditing) and legislation specific to personal care products merit discussion.

2.2.1 Water

In his discussion of environmental policy in Germany Simonis (1991) outlines the approach of the German government to the issue of water pollution. In Germany during the early 1970s major changes took place in relation to water laws and regulations which led to much public investment into biological water treatment plants. Phosphates and heavy metals were the predominant areas of target. There were certain pollutants, however, which could not be handled in an economically viable and ecologically effective manner, so ground water quality remained a problem. The focus was on treating polluted water rather than on reducing the amount of pollutants entering the water cycle in the first place. In 1981 an Act was passed which imposed a tax on the discharge of pollutants into the water system, but while the law was being enacted the tax rate was reduced and the economic incentive to take precautionary action was thus lowered. According to Simonis (1991) legislation is beginning to increase water prices and as a result some industries are beginning to invest in recycling technology. Retailers would be in a position to argue that adhering to their requirements would actually lead to cost advantages for suppliers in the future as the price of resources rise.

⁷ For a more detailed and comprehensive account of EU and German directives see Mumma (1995), Simonis (1991), Economist Intelligence Unit (1994, 1995), EC Committee of the American Chamber of Commerce in Belgium (1994) and Ikwue et al. (1994).

2.2.2 Waste

EU waste directives and regulations are many and diverse. The Commission's policy is prevention, recycle, reuse and dispose of safely as a last resort. One area of particular concern to manufacturers of consumer goods and retailers is packaging waste. In 1985 the EU Commission proposed a directive under which all member states were required to pass legislation on the recovery of packaging waste. This led to a variety of schemes being set up throughout the EU. A proposed directive on packaging and packaging waste was first submitted to the Council by the Commission on 24 August 1992. Germany, Denmark and The Netherlands voted against and the directive failed to be accepted on 9 June 1994. The requirements were as follows:

- At least 50 per cent and not more than 65 per cent of the packaging waste must be recovered.
- At least 25 per cent and not more than 45 per cent must be recycled.
- A minimum of 15 per cent of each individual material must be recycled.
- Ireland, Greece and Portugal were to have temporary derogations.
- Where recovery programmes are already in place member states may exceed the limits, provided that it does not distort the single market. For example, the German system is to be preserved to the greatest possible extent despite the uniform EU regulation.
- Re-use of the packaging materials is allowed provided it is ecologically sound.
- National programmes will have to be put into place to encourage the prevention of the production of excess waste.
- These recovery and recycling targets were to be reached within five years.

2.2.2.1 Die Verpackungsverordnung

Germany has taken the lead with regard to introducing packaging legislation and probably has the most stringent scheme - the Töpfer⁸ Ordinance or the *Verpackungsverordnung* (packaging ordinance). This legislation requires manufacturers and retailers to take back waste from packaging. Consumers are encouraged to recycle materials and to leave unnecessary packaging with the retailer, who in turn pressurises manufacturers to cut back on superfluous packaging. Even though the policy met with much resistance from manufacturers, the law was enforced.

This decree was introduced on 20 June 1991 and contains the following strict targets:

- *Transportverpackung* is the term used to describe the packaging used to transport and protect the product during transit from the manufacturer to the retailer, e.g., cardboard box containing several bottles of shower gel. *Transportverpackung* must be collected and re-used or recycled from 1 December 1991.
- *Umverpackung* is the term used to describe the extra, often excessive, packaging on products, e.g., the box containing the tube of toothpaste or jar of facial cream, or the gift containers for many cosmetic products. *Umverpackung* that consumers leave behind must be collected by the retailers and distributors as and from 1 April 1992.
- *Verkaufsverpackung* is the term used to describe the packaging necessary to enable transportation of the product to the consumer and to contain the product until it is used, e.g., the bottle containing shampoo. From 1 January 1993 *Verkaufsverpackung* must be taken back by distributors for re-use or recycling.

⁸ Klaus Töpfer is the current (1996) minister for the environment in Germany.

Reduction at source, reuse or refilling and recycling are the main areas stressed by the legislation. Companies are being forced to provide packaging which is environmentally acceptable, while still performing the same basic functions of packaging (containment, protection from external influences, preservation of freshness and hygiene, apportionment, unitization, communication through effective labelling (the EU eco-labelling scheme and Germany's *Blauer Engel*) and presentation for promotion). Apart from consisting of entirely environmentally acceptable materials, packaging should be restricted in volume and weight to the amount required for protection. While companies are responsible for taking back used packaging and arranging for its recycling or reuse, they may employ a third party to take care of this for them. *Duales System Deutschland* (DSD) was set up by industry and trade for this purpose. This organisation is financed by the licence fees paid for *Der Grüne Punkt*, which are calculated according to the number of packs sold per year on the German market and the packaging volume. Customers separate out whatever packaging contains the green dot symbol. Manufacturers, distributors and suppliers of packaging materials bear the costs of dealing with the waste. The real result of the Government's policy, according to Polonsky (1995), is that consumers pay for the cost of running the system in the form of slightly increased prices and manufacturers pay a fee to DSD, which has led to a significant reduction in packaging. The next step in German legislation is to force manufacturers to take back the products also (where this is possible, e.g. cars and other durables) and recycle them.

Problems arose. The difficulties related to the relationship between industry and trade, the inclusion of packaging with dangerous contents, the handling of transport packaging and the free-riders of the system. In addition, the volume of waste collected by DSD had no destination and the costs of collection were higher than expected. The result was an accumulation of waste, since Germany did not have the capacity to re-use, recycle or recover it all and landfilling and incineration are not permitted in Germany under the decree. Willingness to participate in the scheme had far outweighed the German

recycling capacity. The excess waste was subsequently exported to other EU countries at cheap prices, where recycling companies could not compete. After an outcry by EU member states Germany revised its legislation.

According to the Economist Intelligence Unit (1994, p. 64), Klaus Töpfer views the packaging law as 'a stimulus to environmental technologies in Germany and a way of maintaining Germany's leading position in this field'. Manufacturers are still obliged to accept responsibility for the disposal of any waste materials in their products. Materials which cannot be recycled or reused should be avoided and those that can should be recycled or reused to the greatest extent possible. Waste should be disposed of in an environmentally friendly manner only when it is beyond reuse. The Töpfer Ordinance was an attempt to simplify the previous laws on waste management and to place Germany in an advantageous position, both economically and industrially.

2.2.2.2 Das Kreislaufwirtschaftsgesetz

The *Kreislaufwirtschaftsgesetz* is a comprehensive waste management act which came into effect in October 1996. Its enactment had been postponed for four years due to opposition from the Economics Ministry, opposition parties, economic interest groups and several of the German states. The act extends the principles of the *Verpackungsverordnung* to all products, in the hope that both industry and trade will make a conscious effort to avoid, reduce or recover waste arising from the production or use of a product. In this way it encourages the production of environmentally friendly products.

Germany's actions prompted other member states to initiate similar programmes. Indeed, other EU countries have based their programmes on the German system. However, the different schemes had different labels requiring specific packaging and different collection systems (Sexton, 1995). The measures taken by some member states to tackle the problem of packaging waste have therefore led to a distortion of competition and free movement of

goods within the single market. The German scheme (also adopted by the French) is the most stringent. Sexton (1995) advocates that any levy on packaging should be based on four objectives:

1. To encourage prevention at source. The current EU directive has set no targets in this regard. The German system pushes cost back onto the producers, thus leading to minimisation and innovation at source.
2. To divert packaging waste away from disposal. Some of the member states have set higher targets than those laid down in the EU directive.
3. To encourage the use of environmentally benign materials.
4. To increase the demand for recycled products. Unless markets for the recycled materials are developed the costs of energy and resources for collection are wasted. This is the basis of the problem in Germany.

Livingstone and Sparks (1994, p. 18) reveals that the German Chamber of Industry and Commerce issued a press statement in July 1992 stating that 'exporters may be substantially affected by the impact which the new German packaging law will have on purchasing policy in the German retail and distributive sectors'. Theoretically the law only refers to Germany and German companies. However, German importers and distributors may refuse to accept products from suppliers who do not comply with the new regulations. It is therefore extremely important for exporters to know what customers require, how they are expected to comply and the costs involved. The EU Industry Council for Packaging and the Environment (INCPEN) claims that the green dot system is a trade barrier stemming from discrimination against those who do not display the symbol. Moreover, smaller companies may not be able to match the requirements of their distributors and may suffer competitively.

2.2.3 Atmospheric pollution

The ozone layer and the greenhouse effect are the two most widely discussed issues relating to the atmosphere. The main contributors to the damage are

emissions of such substances and compounds as SO₂, CO₂, NO_x (nitrogen oxide), lead, CFCs (Chloroflourocarbons) and VOCs (volatile organic compounds). Air quality standards, national emission ceilings and reduction targets have been set for each member state.

Limits on emissions from plants and from transport vehicles affect all manufacturing companies. The case of CO₂ emissions deserves special mention. Controversy has surrounded the area of CO₂ emissions in the EU. In October 1990, the Council of Ministers of the member states agreed a Community-wide target to stabilise CO₂ emissions at their 1990 levels by the year 2000. In 1992 the Commission put forward a proposal for a CO₂/energy tax. Despite opposition from some member states it was decided in 1995 to introduce tax measures in each member state individually, but to have common parameters in order to stabilise CO₂ emissions.

On average, 2 per cent of industrial production costs are made up of direct energy costs of manufacturing, with some industries being significantly affected. It is sometimes argued by industry that energy efficiency rather than forcing cuts in domestic output should be the main driving force behind governmental approaches to global warming problems. Other sectors have introduced their own initiatives voluntarily. International and national federations of industry also criticised the tax imposition and in fact there seems to be no strong pro-tax lobby (Ikwue and Skea, 1994).

It has been argued that the atmosphere can only be protected if energy sources consist primarily of nuclear or renewable sources, neither of which are entirely satisfactory or possible. The only solution seems to be a reduction of energy consumption overall (Economist Intelligence Unit, 1994).

Germany has targeted dust emissions, air lead content, SO₂ and CO₂ emissions quite successfully since the early 1970s. The problem of acid rain and the damage to the German forests in the early 1980s highlighted the problem of

emissions even more. In contrast it was only in 1994, as a result of the Montreal Protocol and its revisions, that Germany decided to fully phase out CFC production. Initiatives to reduce the level of CO₂ emissions by 25-30 per cent by the year 2005 have been introduced in Germany in order to improve the greenhouse effect. This is one of the most ambitious targets in the EU (Ikwue and Skea, 1994).

The German federal environmental agency is concerned about the volume of transport on German roads, which inevitably puts pressure on the environment and suggests that road haulage will have to be made more expensive European-wide. It is interesting to note that a Eurostat report in 1994 showed that 90 per cent of total petrol sold in Germany was unleaded compared to 38.5 per cent in Ireland (Economist Intelligence Unit, 1994). In addition 96 per cent of all new cars in Germany contain catalytic converters (Simonis, 1991). Sustainable, environmentally acceptable goods transportation can only be achieved by fewer journeys which means regionalisation and overall traffic reduction policies. In order to illustrate the threat posed by the emission of greenhouse gases, the German federal environmental agency issued a brochure explaining the inevitable disturbance of the sun's radiation pattern and an ultimate change in climate globally (Economist Intelligence Unit, 1995).

A retailer cannot claim to be an advocate of environmental protection if it stocks products which have harmed the environment in some manner. On the basis of this it is conceivable that retailers would attempt to influence the transportation of goods from the supplier to their premises and that they would specify acceptable emission levels during production.

2.2.4 Eco-labelling

By the late 1980s a wide variety of claims and symbols relating to the environmental-friendliness of products existed across Europe, none of which had any official stance. Some were deceptive, others insignificant or even

perhaps excessive. Talks began in 1989 about an EU-wide eco-label scheme. The European Environment Council supported the proposal and requested the Commission to put forward the details. Stimulation in the form of a voluntary award scheme was preferred over mandatory statutory regulation. The Environment Council agreed on the proposal and regulation was formally adopted in 1992.

The EU eco-label award scheme aims to verify and officially confirm all claims of environmental friendliness. This voluntary scheme judges products against a number of criteria in order to establish a trustworthy, widely recognised award. The aim of the eco-label award scheme is to promote the design, manufacture, marketing and use of products which have a reduced environmental impact during their entire life cycle and to provide information to consumers regarding the environmental performance of these products. It was devised in response to the increasing number of schemes being introduced at national levels, e.g. the German *Blauer Engel*, which is one of the oldest in Europe, from which the EU scheme takes precedence. Initially it will operate alongside these schemes, but eventually it should displace them. At present four different sets of criteria for personal care products are being worked on. The UK has control over the criteria for hairsprays, which are the most developed product criteria yet. Controversy surrounded the choice of criteria, with the EU Commission, industry representatives and the UK committee voicing contradicting opinions. Aerosols and pumpsprays fall under the definition of hairsprays. The far-reaching criteria include the VOC content, packaging, propellant replacement and conditions for use. Deodorants and other hairstyling products come under the control of the UK. France is responsible for shampoos. These three products are still in the start-up phase of criteria selection.⁹

⁹ For a discussion on the procedure, advantages and disadvantages of the EU eco-labelling scheme see Mumma (1995) and McIntyre (1994).

West Germany was the first in the EU to respond to environmental problems with the introduction in 1977 of the environmentally friendly label - the *Blauer Engel* standard stamp. It is a completely voluntary means of indicating a product's relative environmental friendliness. In 1979 38 labels had been awarded; by 1995 this had increased to over 3800. It aims to encourage the development of environmentally benign properties. Because no product is entirely environmentally friendly, the label merely attests to the relative environmental soundness of a product compared with other products fulfilling the same function. It does not address itself to product groups which cause little or no harm to the environment. The general assessment considers the product in its entirety, taking into account all aspects of environmental protection, from raw material procurement to manufacture through to use and disposal. The award criteria for each product group specifies all requirements in detail. Fitness for use, safety of the products and health protection are taken into account when the criteria are being drawn up, but environmental aspects have priority. Foreign manufacturers can also avail of the label and are subject to the same conditions as German companies.

Of the 70 product areas to which the *Blauer Engel* has been awarded, four affect the personal care products industry:

1. Low waste hairsprays, deodorants and shaving foams: Certain cosmetics as specified in Article four of the *Lebensmittel- und Bedarfsgegenstandesgesetz* (Food Products and Consumer Goods Act) (1974) are awarded the label where the products contain no aerosol propellants, use less materials and lead to less waste. These products are marked: '*Umweltzeichen weil treibmittelfreie Alternative*' (Environmental award for propellant-free alternative).
2. Sanitary paper products made of recycled paper: Using waste paper and no dyes or other harmful substances to produce products such as bathroom tissue, handkerchiefs and facial tissues reduces the build up of waste and avoids the environmental impact which usually results from the production of pulp.

3. Returnable transportation packaging: Under the provisions of the *Abfallgesetz* (Waste Management Act) priority is placed on waste avoidance. Returnable transportation packaging reduces waste. Such packaging must not contain any hazardous materials.
4. Low-pollutant nail polish: Emissions of organic solvents and other toxicologically problematic substances must be considerably reduced.

Where no award criteria exist for a product group, proposals can be submitted. This requires a detailed, well reasoned and substantiated account of the aspects in which the product differs to a considerable degree (from an environmental viewpoint) from other products fulfilling the same function, i.e., competing products. The German scheme has been criticised on the grounds that the criteria are not tightened often enough and insufficient attention is paid to overall product quality and performance. However, the effect of the blue angel has been felt in countries outside Germany. Manufacturers who design products which qualify for the label are well placed to satisfy demand for such goods from major retailers in Germany who may be insisting on such standards or who may even require proof of qualification for either the EU eco-label or the German *Blauer Engel*.

2.2.5 Environmental auditing

A widely used definition of environmental auditing or eco-auditing states that 'it is a management tool comprising a systematic, documented, periodic and objective evaluation of how well the environmental organisation, management and equipment are performing' (Mumma, 1994, p. 218). The operation, organisation and management structure of companies are assessed with the aim of identifying hazards and risks to the environment. With respect to accounting, companies are expected to publicise information about environmental policies, programmes, objectives, risks and expenses incurred. Auditing ensures that pre-set standards are met, maintained and improved upon. If suppliers were to carry out this form of auditing, the retailers' task of

choosing the more environmentally aware and active supplier would be greatly facilitated. It is therefore conceivable that retailers would request this of suppliers.

The EU's fifth environmental action programme targets the manufacturing industry and aims to devise a strategy to protect the environment based on the concepts of 'shared responsibility' and the 'polluter pays'. As part of this goal it aims to implement an environmental accounting mechanism by the year 2000. To this end a voluntary scheme has been set up whereby industrially active companies are evaluated and the information published. Establishing, implementing, evaluating and informing about environmental performance forms the basis of the scheme.

As and from April 1995 companies were able to apply for the Environmental Management and Audit Scheme (EMAS) (the European standard set by the European Committee for Standardisation (CEN)). BS 7750 (the British environmental Standard) forms the basis of EMAS. This standard is 'a mechanism for meeting specified levels of performance and whole sets of regulations, and also of demonstrating conformance to both' (Rothery, 1993, p. 9).

The EMAS has made it compulsory for member states to set up a national scheme to support it (regulation), but the scheme itself is a voluntary directive. Under EMAS companies are required to put environmental policies, goals and systems into place, to assess their environmental performance periodically and systematically and to have these validated externally. The EMAS is an alternative to rigid environmental standards imposed through legislation. Commitment is sought on a voluntary basis, and it is hoped that companies will see that potential benefits of participation in the EMAS scheme through the implementation of environmental protection measures outweigh the costs. The regulation must, however, be applied throughout Europe in order to prevent distortion of competition. It is hoped that through the regulation

companies will improve their environmental performance step by step and publicise information about their environmental policies and courses of action.¹⁰

All companies are affected by environmental legislation concerning air, water, waste, noise, product use, safety or materials used. Hence all companies come under the influence of the new auditing standard which will assist them in managing their processes, complying with regulations and making this fact known. What is involved according to Rothery (1993, pp. 5-6) is 'a process of identification with the corporate need for the standard, a commitment to go for it, an awareness of the specific environmental considerations of each company, and a management system with controls and documentation'. This requires that companies are aware of the directives and regulations which affect their company specifically.

To avoid multiplication and duplication of standards, the international standards set by the International Standards Organisation (ISO) based in Geneva take precedence over both national (e.g. BS in the UK) and European (EMAS) standards. ISO standards are also regarded as a means of harmonising the national and EU standards which could potentially become trade barriers. ISO 14000 has been developed. This standard applies to the environmental impact of products, activities and plant operations. It is concerned with controlled and uncontrolled emissions into the atmosphere, discharges to water, land contamination, and the disposal of wastes. It also addresses environmental auditing, labelling, Life Cycle Assessment (LCA), and environmental management schemes. Although voluntary, as are all standards, the ISO 14000 standards are expected to become an international passport for companies seeking business in countries with a high level of environmental awareness - such as Germany. The standard applies to all types and sizes of organisations and takes diverse geographical, cultural and social

¹⁰ For a more comprehensive account of BS 7750 and the EMAS see Johannson (1994), Rothery (1993), Robert (1995), Barnes (1994) and Slomp (1993).

conditions into consideration. Absolute requirements for environmental performance have not been set but to gain certification companies are required to:

- develop an environmental management system including specified policies and procedures;
- audit all operations;
- evaluate environmental performance;
- carry out LCA for raw materials, products and waste materials;
- commit the company to continuous improvement and pollution prevention.

BS 7750 is expected to spread globally rather rapidly, since it may prove to be a barrier to entry for non-EU based companies until national standards bodies promote the adoption of ISO 14000. Sister companies of multinationals will also adopt the standard thus ensuring its spread horizontally and likewise vertically as companies put pressure on suppliers to become partial to the standard also, this necessarily being an integral part to achieving the standard. As sophisticated buyers demand a standard specification from their immediate suppliers, they in turn pass on the demand to their suppliers, and the standards movement filters down through the supply chain. The pattern expected for the demand for the EMAS standard and ISO 14000 begins with environmentally conscious purchasers and is followed by retailers seeking a green image. Eventually manufacturers will adopt it and will require their suppliers to become certified also. Other companies will follow suit. Although the EMAS is not applicable to retailers at the moment, in that they themselves cannot be certified, retailers may require some form of certification from suppliers to ensure that companies upstream are reaching the required level of environmental quality.

Germany is said to have a relatively high level of disclosure of environmental information in contrast to most other EU countries, whose green accounting standards are still incipient. The *Ökobilanz* is a means of presenting this

quantitative information. It generally consists of an input (materials and energy used)-output (produce and emissions) analysis. However, there is no agreement on the scope of information that should be revealed. Despite this, the presentation of qualitative information, e.g. specific actions, programmes, expenditures and commitments to the environment, is popular as companies react to market forces and the need to find more environmentally friendly means of doing business and communicating this to the purchasing public (Slomp, 1993).

2.2.6 Health and safety

Health and safety regulation developed at a steady pace during the 1980s and 1990s and is often perceived as a subset of environmental requirements. The relevant directives focus on issues pertaining primarily to the health and safety of humans, which coincide with some of the objectives of environmental legislation. Under the heading of health and safety, EU notification/approval procedures apply to cosmetics products. Member states must ensure that new substances are not placed on the market without being notified to the competent authority of the member state in which the substance is manufactured. Information on the technicalities of the substance must be provided in order to ascertain the foreseeable risks and possible unfavourable effects. Classification and labelling of such substances are also regulated.

2.2.7 Laws affecting cosmetics companies

The EU law pertaining to cosmetics defines cosmetics as products which are marketed primarily with the intention of cleaning, perfuming, changing or influencing the body's outer appearance or smell, protecting or maintaining good condition (*Industrieverband Körperpflege und Waschmittel (IKW)*, 1995). There are a number of areas within cosmetics legislation which are significant in the context of the environment.

The EU Commission is in the process (1996) of drawing up a list and description of all contents of cosmetics products, which will eventually be published and regularly updated. It will serve the purpose of communicating information on the safety of these ingredients, both in use and disposal. This list is intended as an example and should not be considered as binding. The index should contain as much information as possible: Chemical description; INCI-name (International Nomenclature Cosmetic Ingredients-name); Description as per EU medical terms; The World Health Organisation (WHO) indexes; Accepted function and possible limitations. In the Summer of 1994, the Liaison Committee on Labelling Nomenclature (LCLN), set up by the European association for the cosmetics industry (COLIPA) and working closely with the American Cosmetics, Toiletries and Fragrances Association (CTFA), presented the EU Commission with a list of over 7,000 substances. This was to form the basis of an EU-wide declaration. The European Fragrance and Flavour Association (EFFA) drew up the list for fragrances and aromas.

According to international chemical law all raw materials must be examined for safety. Most ingredients of personal care products can be defined as chemicals. The current scientific stance does not allow for an approved examination of such substances without animal testing. In spite of this the 1993 amendment to the cosmetics directive states that from 1 January 1998 products containing substances or compounds which have been tested on animals are prohibited. Finished products may also not be tested on animals. The deadline may be postponed if at that time no suitable scientifically sound alternative testing method has been discovered, which would ensure consumer protection to the same extent as does animal testing. Animal testing activities must be communicated on the packaging. Of the many studies done to date not even one alternative method has been acknowledged, although the cosmetics industry has been using some of them for many years. The methods discovered certainly reduce the number of animal tests carried out, but full replacement is not yet possible.

The most prominent environmental regulations in Germany relating specifically to cosmetics and toiletries are to be found in the *Lebensmittel- und Bedarfsgegenstandegesetz*.

Under this Act cosmetic products are defined as materials or preparations, which are produced for the purpose of cleaning, caring for or influencing the appearance or smell of the outer body or the mouth. Products which are primarily intended to ease or cure illness, suffering, bodily damage or other medicinal complaints are not included. Since 1986 the animal protection law in Germany prohibits animal testing of decorative cosmetics products.

In light of these pieces of legislation retailers can be expected to pay attention to product ingredients and to the incidence of animal testing.

2.3 Legislation versus voluntary measures

A free market is ideally characterised by freedom of choice. Both business and consumers consequently desire as little legislative action as possible, opting rather for voluntary measures to abate environmental problems. Environmental regulation and liability brings with it enormous economic costs, which contributes to the resistance. It is argued that these costs are passed on to consumers in the form of higher prices or increased taxes. The costs of environmental destruction are not as tangible, affecting quality of life and public health in the long run. Hilger (1993) believes that the concept of sustainable development can be pursued according to market economy principles, where more efficient problem solutions are likely. The costs of pollution and damage to the environment must be incorporated into the price of the product, a principle which can only be achieved in a competitive environment and if countries confront the issues on a global level.

2.3.1 Government involvement

Some degree of government intervention is necessary in order to curtail the potential catastrophic effects of unrestricted competition and to prevent the total destruction of the environment. A free market process would not promote sustainable development of its own accord (Polonsky, 1995).

Through command-and-control mechanisms, companies are prevented from damaging the environment. The environmental problems relating to resources and development transcend national boundaries so it is imperative that a national government's agenda is co-ordinated and consistent with that of other nations. International co-ordination of policies and priorities is required in order to abate global issues. Ikwue and Skea (1994) argue that where economic consequences are large, where the issue is urgent and political pressure large, where losers exist, where fundamental differences exist at different levels and where the objectives are not even clear to the authorities, pure command-and-control mechanisms may be the most appropriate approach to take.

Major criticisms of regulation include:

- It is inevitably reactive.
- It can also only be effective if it is rigorously enforced and if those who breach the law can be identified and prosecuted accordingly.
- Some punishments laid down by legislation fail to discourage poor environmental performance. If fines are considerably lower than the costs of cleaning up a polluted site or of changing technology, it pays to pollute, despite legislation.
- Usually minimum standards are set with no incentive to improve further.
- Managers are told by regulations and directives how to tackle the problem, thereby restricting any creative approaches which may have been adopted by the company.

- The result of differences between countries' regulations has led to the emergence of pollution havens. These countries are benefiting economically, while others pay for improving the overall global environment.

2.3.2 Voluntary measures

Polonsky (1995) discusses voluntary policy as a regulatory alternative. Literature suggests that only a small number of companies react to voluntary policies. The reason for this is probably linked to the fact that there are conflicts, confusions and inconsistencies between laws in different markets concerning the environment, which inherently prompts unfavourable reaction to new regulatory alternatives.

The chairman of the IKW in Germany has called for 'mehr Markt und weniger Staat' (more market mechanisms and less state regulation) (IKW 1995, p. 5). He claims that competition amongst suppliers (even in a stagnating cosmetics and toiletries market) is largely responsible for innovation in the area of consumer and environmental protection. Weiss (1991) concludes that the achievements of countries like Germany in many areas of environmental protection are founded on the combined influences of the market economy and competition. *Bundesverband der Deutschen Industrie* (The Association of German Industry - BDI) (1990) has also called for the introduction of more market-oriented and flexible instruments in environmental policy. Insufficient use has been made of such instruments. Voluntary agreements and measures in the areas of emissions, water protection and pollution control in general would lead to speedy and unregulated response to environmental issues. It realises, however, that with over 2,000 regulations in Germany, the room for action is restricted. A flexible regulatory framework of environmental policy would allow the market economy to reach its full potential of encouraging more efficient, innovative and less costly environmentally friendly behaviour. Government regulation alone produces much less satisfying results than

private initiatives. A mixture of regulatory and market-oriented instruments would probably lead to the most effective climate in which to tackle environmental issues. A certain amount of flexibility, scope and incentives, while ensuring that the costs of environmental pollution are allocated appropriately, would be the result.

2.4 Conclusion

Companies are compelled to respond to the requirements of legislation. This chapter has demonstrated that they are many and diverse and that they vary cross-nationally. It is no longer sufficient to simply comply with new legislation since tougher standards are introduced continuously as a result of society's changing values and increased awareness and knowledge of environmental problems. It is therefore conceivable that retailers' requirements of suppliers may exceed those which are laid down in legislation.

Because environmental legislation is so advanced in Germany suppliers to this market face a more challenging situation. The business environment is becoming increasingly regulated and strict enforcement is necessitating constant compliance, assessment, research into German standards and tracking of proposals for new regulation. Scanning proposed national and European legislation which may impact on the company, its strategies, its customers, competitors or suppliers highlights possible affects on a business in the near future. Companies should know ways in which their operations, processes and products may be affected by environmental regulations in each market. Legal developments and policy-making tendencies need to be monitored closely to reduce the impact of restrictions imposed by a nation's tough laws.

The scope and complexity of the issues affecting a company vary. In order to survive a number of authors (most notably Peattie, 1992, Smith and Hunter, 1994 and Elkington et al., 1992) recommend that companies:

1. monitor environmental legislation (and proposals for new legislation) at both international and national level in order to identify and assess the developments. German retailers may be insisting that all companies meet the highest German standards, regardless of the country of origin of the product.
2. investigate whether competitors are exceeding standards and in a position to generate competitive advantage as a result of their environmental performance. Retailers who are pursuing a purchasing policy which includes an evaluation of suppliers under environmental criteria may choose those companies which exhibit the highest level of environmental quality.
3. ensure that suppliers meet the required standards since their actions can have a direct bearing on the manufacturer's product and image. It is possible that retailers assess the whole life cycle of the product, which would include an assessment of the environmental quality of raw material and component suppliers.
4. install an appropriate, standardised environmental management system and introduce a product stewardship programme which assesses the impact that regulations have on products both now and in the future. Should retailers request details in the area of environmental commitment, suppliers would be in a position to illustrate to retailers that the products and the production process are of high environmental quality.

The rise in environmental legislation in general and in particular the precocious German situation coupled with the vast array of issues arising in legislation and the increase in legislation which encourages a voluntary approach by business is a basis for believing that retailers are beginning to put pressure on suppliers for environmental quality. The extent to which retailers are taking a proactive approach by exceeding rather than merely aiming to comply with existing legislative standards is an issue which must be addressed in detail during primary research.

Chapter three: Green consumerism with specific reference to Germany

The aim of this chapter is to focus on the consumer as a source of influence on the business milieu. The concept of green consumption is firstly defined and discussed. After introducing research on consumers' levels of environmental awareness, concern and activity, the possibility of cross-national differences regarding the green consumer is considered. Research findings on consumers in Germany are subsequently reviewed. The focus of the chapter is very specifically on the potential influence of consumers on retailers, without rejecting the notion that the influence is multi-directional and reciprocal. The significance of this chapter to the focal point of the dissertation lies in the fact that consumers have the power to either accept or reject a product and this subsequently impacts on retailers' product range choice.

3.1 Introduction

In addition to tougher legislation and the rise of pressure group and media activity, companies in the 1990s feel under pressure by general public opinion and consumers. Simonian (1995) asserts, however, that globally public concern for the environment has abated since the beginning of the 1990s. Concerns about the recession and unemployment have taken precedence. It may also be due to increased availability of environmentally acceptable products. Ottman (1993), Peattie (1992; 1995), Shrum et al. (1995) and Skrentny (1993) among others propose, however, that consumers still represent a powerful influence in the struggle towards sustainability. This chapter discusses the following questions: What is green consumption? Can green consumers be segmented and targeted? How do German consumers compare with consumers in other countries?

3.2 Green consumption

3.2.1 The green consumer defined

A number of comparable definitions of green consumers and green consumerism exist in the literature¹. The green consumer in the broadest of senses is anyone whose purchase behaviour is influenced by environmental concerns (Shrum et al., 1995). While there is very little difference between all of the definitions, for the purpose of this study the definition given by Peattie (1992, p. 118) is preferred, as it highlights the fact that environmental criteria are only one of many influences in decision making. He defines green consumption as 'the purchasing and non-purchasing decisions made by consumers, based at least partly on environmental or social criteria'.

3.2.2 The influence of green consumerism

Peattie (1992) believes that green consumption is the force behind the development of environmental business activity. Green consumerism itself is driven by a heightened awareness about environmental issues, increased levels of information, greater availability of green products, green themes in advertising and a general shift in societal values. Likewise Ottman (1993) maintains that green consumerism is a long term trend echoing an eternal shift in values.

As far back as 1976 Henion (1976, p. 242), as cited in Henion (1979, p. 148), wrote:

...there appears to be a substantial number of consumers whose life styles and cultural orientations are undergoing important changes. Under the influence of such changes, many of these consumers are altering some of their basic values and, in the process, some of their traditionally held views about consumption. This flux in values provides ecological marketing with a favourable psychological milieu

¹ See Ottman (1993, p. 27), Peattie (1995, p. 83) and Sriram and Forman (1993) for examples.

in which to operate. In such an atmosphere, an attempt to change consumer preferences and tastes, in a direction more favourable toward improving environmental quality, is now more likely to succeed.

Peattie (1995) speculates that the importance of the green consumer will increase as the environment deteriorates and as society becomes better informed and begins to care more. He indicates that there has been much debate in the literature over the function and significance of green consumers. Peattie himself concludes that green consumerism is certainly a contributory factor in the process of change which is required for sustainability. On the other hand, Cairncross (1991) postulates that green consumers will not be the main force behind the greening of business during the 1990s. The environment is too complex for consumers alone to have much effect and their influence is on a limited range of products, is random and too poorly informed.

3.3 Who are the green consumers?

Public perception of the environment, pollution and conservation has been tracked regularly over the last decade (Worcester, 1993). Investigations of consumers' involvement with and support for environmental issues has led to attempts to identify the characteristics of socially responsible consumers. Correlations have been found between demographic characteristics and socially responsible consumption. Consistency across demographic subgroups occurs but vast differences by country are evident. Ottman (1993) concludes that research has highlighted the vast disparity of the extent of greenness even among the population of one nation. As far back as the 1970s attempts were being made to identify the green consumer. Demographics, personality, socio-psychological constructs, attitudes and knowledge of environmental issues were used. Only recently has the focus changed to investigating consumers' behaviour.

3.4 Is green always green?

Consumers are increasingly aware of the environmental implications of their purchase, consumption and disposal behaviours. How do they respond? The nature and degree of sacrifice/trade-off consumers are willing to make in acting on the issue of the environment is uncertain. Do consumers incorporate environmentally-related product attributes into all of their product choice decisions? Where do environmental concerns stand in relation to other product attributes? What types of product attribute trade-offs (convenience, availability, price, etc.) are consumers prepared to make for the sake of the environment? Answers to these questions are critical for retailers in deciding which products to accept from suppliers.

Peattie (1995) notes that Kardash in 1984 recognised the fact that in effect everyone would be an environmentally concerned consumer when every other element in the decision process is held constant. A survey carried out by Warwick, Baher and Fiore Associates in 1990 found that 96 per cent of consumers claimed to include environmental criteria at least at intervals in their purchase decisions. Peattie (1995) believes that in the past, attempts to categorise and generalise about green consumers on the basis of socio-demographic and personality variables have failed. One consumer may be classified as green because he uses lead-free petrol, as may a consumer who avoids the use of cars altogether. One consumer may be primarily concerned with waste, while another may be influenced by more global issues such as ozone depletion and the greenhouse effect. Similarly, natural cosmetics may be a consideration for some consumers, but for others the degree of their environmental concern may only extend to major polluting products such as cars.

In May 1992 the *Institut für Strategische Marktforschung* (Institute for strategic market research - ISM) carried out research on the personal care products industry in Germany on behalf of IKW. The report concludes that

environmental issues are a minor consideration in the purchase of personal care products. It is revealed in the report (IKW, 1992) that

- although issues such as the multitude of product offerings, the lack of necessity for the product and the suspicions of environmentally harmful production are becoming more topical, the majority of consumers are not prepared to alter their purchasing habits. This held for consumers in both the new and old German states.
- only 10 per cent of respondents believe the issues to be of remarkable importance.
- a mere 6 per cent spontaneously cited decorative cosmetics as a potential environmental hazard; 9 per cent cited bath and shower products.
- when questioned specifically about which product categories they considered to be major contributors to packaging waste personal care products were listed by less than 10 per cent of respondents. However, when probed about personal care products 57 per cent agree that packaging from such products does contribute to the waste problem.
- 74 per cent recognise advantages to excessive packaging against 23 per cent who see no advantages.
- 62 per cent are prepared to accept excessive packaging for high priced or sensitive products or for gift items.
- 27 per cent claim to reject excessive packaging outright.

Hübbers (1995), on the other hand, examines a study carried out by the *Stern Magazin* in Spring 1994 (one of a series of studies carried out by Stern over the past few years) on the cosmetics market. It found that

- 36 per cent (35 per cent in the West and 38 per cent in the East) would like to see more emphasis on the natural elements of cosmetics products,
- 27 per cent are undecided
- 27 per cent do not place any value on natural ingredients.

The *Gesellschaft für Konsumforschung* (Society for consumer research - GfK) (1995) also carried out research into this product sector in 1995. Over one third of those surveyed claimed to have changed product brands in the past on the grounds of environmental criteria. Topics which were considered negatively included

- excessive packaging (27 per cent)
- too many chemical ingredients (11 per cent)
- unnecessary animal testing (8 per cent)
- too much plastic and other synthetic materials (8 per cent)
- environmentally friendly alternatives were too expensive (7 per cent)
- lack of refillable systems (7 per cent)
- contents not declared (7 per cent).

A good description of what can be derived from such findings is given by Peattie (1995, p. 95): 'The consumer movement is an important potential influence on the marketing of almost any product'. If it is the case that consumers are concerned about these issues then it is feasible for retailers to consider this when choosing the product range.

Environmental attributes are only one of a bundle of attributes that are evaluated jointly in making the purchase decision. Using conjoint analysis Sriram and Forman (1993) carried out research in the US and Holland. They looked at three products - milk, washing machines and deodorants - and addressed the following issues: What is the importance attached to the environmental attributes in relation to other attributes? Does the type of product influence the trade-off? Do they differ cross-nationally? It was found that the nature of the trade-offs is different for consumers from different countries and for different products. The results suggest that while consumers may claim to be environmentally conscious, the environmental features play a less significant role during the purchase of a durable product, where

involvement in the purchase is higher. The authors realise that generalising the findings to incorporate other products is dangerous. It would also be naive to extrapolate the findings of this two-country analysis to other countries. The study nonetheless indicates that the importance of environmental criteria relative to a product's other attributes may differ across product groups and countries- a significant consideration for global marketers and an indication of the need for research on a specific country (e.g. Germany) with respect to a specific product sector (e.g. personal care products).

3.5 Cross-national differences

Dunlap et al.'s (1993) Health of the Planet survey is the largest environmental opinion survey ever conducted. It aimed to examine the possible differences in citizens' views of environmental issues among industrialised and developing nations. It covered perceptions of the seriousness of environmental problems and support for environmental protection. The survey found that environmental problems represent salient and important issues across the spectrum of nations under analysis - thus proving conventional wisdom which holds that environmental issues are only of concern in industrialised nations to be wrong. This may be because people living in the poorest nations have first-hand observation of environmental deterioration and are more likely to see their local and national environments as being under threat and in poor shape and their health as being negatively affected by these conditions, whereas those in industrialised nations may have more information about distant and imperceptible problems such as ozone depletion, with the result that these issues of global concern form the basis of their concern. Environmental degradation is increasingly recognised as a direct threat to human health and welfare; it is becoming a basic human goal to protect oneself from environmental hazard.

Simon (1992) looked at consumer trends in the Triad (US, Japan and Germany) and addressed questions such as: How do knowledge and concerns vary by region? Where is the balance of power? Do attitude and behaviour coincide? He observed the following interesting points:

- The Gallup Health of the Planet survey, 1992, found that West Germans were the most concerned: 67 per cent rated their national environmental problems as 'very serious', 81 per cent claimed to avoid environmentally harmful products and they expressed more concern than others about global warming, ozone loss and the rain forest.
- Activism is noticeably higher in Germany than in either the US or Japan.
- Germans are ahead of Americans on all levels of basic environmental knowledge and perceptions. Simon suggests that this may be due to the large number of environmental publications in Germany and to the efforts made by retailers to inform consumers.

3.5.1 Possible explanations for cross-national differences

Skrentny (1993) addresses the question of why public opinion shows cross-national variation in concern for the environment. He begins by suggesting that this may be the result of sample biases of data from individual countries, but concludes that it could alternatively be that being 'German' or 'British' or 'American' is a significant predictor of environmental concern. The causes for concern may originate 'in the conditions and circumstances of the nations themselves' (p. 320) and in turn determine the strength and direction of the various country effects on concern for the environment.

More specifically Sutton and Al-Khatib (1994) argue that the country effects may indicate the existence of pressing economic concerns (unemployment, national debt, etc.) in some countries. They suggest that due to differences in unemployment rates, levels of income and levels of external debts, we would

expect little similarity across nations in relation to economic and environmental priorities. However, Skrentny's research dispels this suggestion. His research revealed that Germans are more concerned about the environment than other nationalities although at the time of this research Germany's unemployment rate and debt, for example, were higher than those in the other countries researched. On the other hand, evidence supports the reasoning that a nation's actual level of environmental destruction and the level of media coverage could be an important country-level factor explaining cross-national variations in environmental concern. Acid rain and forest damage and average sulphur depositions are high in Germany and have been found to relate to national pride and to be considered economically damaging leading to a high level of concern for these issues.

A noteworthy point made by Johnson and Johnson (1995, p. 114) is that 'to suggest that someone may or may not be "green" does not capture properly the true complexity of the issue. One must remember that terms such as "environmentally friendly" or "ecologically aware" may vary from culture to culture'. The exact meaning of environment differs between countries, as do main areas of concern, the overall focus and opinions about who is responsible.

'Culture...moods, feeling, belief, values...influences perceptions and the degree of emotional involvement of individuals' (Boehmer-Christiansen and Skea, 1991, p. 57). Actions are subsequently affected by culture. However, as pointed out by Sriram and Forman (1993), cultural differences in consumer sensibilities regarding the environment and their impact on consumer choice behaviour are ill-defined in literature. Stern and Dietz (1994) look more closely at the value bases for environmentalism. Values are criteria for guiding action and for developing and maintaining attitudes toward relevant objects and situations. Value orientations are formed during the socialisation process, are not mutually exclusive, may be many and vary across individuals, social groups and cultures. These orientations affect beliefs about the

consequences of certain environmental conditions for the things an individual values and consequently affect that individual's attitudes and behaviour.

The three value bases identified are:

1. Egoistic values prompt individuals to protect aspects of the environment that affect them personally or to withstand any actions involving perceived high personal costs.
2. Altruistic values assume that individuals feel a sense of moral obligation to prevent or ameliorate adverse consequences that are likely to occur to others.
3. Biospheric values dominate where individuals judge phenomena on the basis of costs and benefits to ecosystems or the biosphere.

It would appear from research findings (discussed in greater depth in section 3.6) that Germans have progressed from being prompted by egoistic values to judging issues on a broader basis.

Suppliers' market share and profit depend on keeping up with market trends. Pricing and distribution strategies are also ultimately affected as retailers in the more advanced countries lay down specific environmental standards. Simonian's (1995) argument revolves around the fact that there is a notable lack of information on global consumer attitudes to the environment. Such data is essential for companies wishing to expand into foreign markets. While national data do exist (e.g. MORI, Mintel, Roper Organisation), internationally comparative research is scarce. Due to the impact which green consumerism can have on the turnover of any product, there is a need for manufacturers who wish to sell abroad to investigate the exact nature and extent of public/consumer concern which in turn would indicate the potential areas of concentration of retailers in the target country.

3.6 Germany

Research shows that Germans are more concerned than other nationalities with regard to environmentalism. It was, however, only in the early 1980s that the upsurge in environmental awareness in Germany really took off as issues such as acid rain, air and water pollution became prominent. Legislation was strong during the 1980s and only in the latter half of the decade did consumer demand for green products entice manufacturers to develop green products. Peters et al. (1989, p. 20) note: 'Consumers in Germany interpret their environmental responsibilities far beyond simply the purchase of green products; they are strenuously engaged in recycling of all kinds, and are becoming conscious of the need to save energy'.

3.6.1 Research findings

Some of Peter et al.'s (1989)² most significant findings relating to Germany are listed below:

- Dying forests was one of the first incidents to alert the population to environmental issues. Acid rain and deforestation are priorities in Germany.
- The term 'environmental issue' encompasses a broad array of features.
- The media report on environmental issues daily resulting in a long term concern.
- Germans mistrust foreign products; they are aware that legislation in other countries is less stringent than in Germany. Foreign companies may find it difficult to find distributors in Germany if they cannot demonstrate green awareness and practice.

² Peters et al. (1989) carried out a study in the UK, the Netherlands and Germany to ascertain the magnitude of awareness of and concern about green issues amongst mass market consumers. In-depth discussions involving a small group of respondents were used. The authors advise that the results should not be interpreted as conclusive or statistically representative.

- The population are interested in the activities of environmental pressure groups.
- Compared to the UK and the Netherlands:
 - German consumers are more environmentally oriented; they exhibit a higher level of awareness, knowledge, concern and action.
 - German awareness is deeper and longer lasting.
 - Knowledge and understanding is more fundamental and broader in Germany.
- Environmental problems are perceived as being personal problems stemming from misuse of the earth and modern living.
- Environmental issues influence consumption behaviour; beyond product choice to energy conservation.
- Packaging is an important environmental issue, with consumers opting for less packaging, natural, biodegradable and returnable packaging and loose products.
- Germans expect that non-green products will be scarce in the future.
- The *Blauer Engel* scheme is considered to be a valuable source of information.

According to a 1994 representative study of the level of environmental awareness of German citizens carried out by the Department of the Environment in Germany, the purity of the air and ozone depletion are the areas of primary concern (*Institut für praxisorientierte Sozialforschung* (German institute for practical social research), 1994). It also revealed a negligible readiness to change behaviour in order to contribute to environmental protection - a surprising finding. The attitudes of the population are, according to results of the study, not represented in behaviour. More than 80 per cent are, however, prepared to make an increased effort to sort their rubbish in the future. A summary of the results are as follows:

% of the population concerned about:	West	East
Atmospheric pollution	37%	36%
Ozone depletion	27%	39%
Deforestation	21%	35%
Atomic accident	21%	-----
Drinking water quality	18%	-----
Waste	17%	33%
Climatic changes	-----	20%
Transport problems	-----	19%

In many other comparative studies Germany features consistently at the top end of the pile in concern for the environment:

1. The International Social Survey Program (ISSP) carried out in 1985 reveals, for example, that within five industrialised nations - USA, UK, West Germany, Austria and Australia - there is considerable variation in the desire of respondents for increased government spending on the environment. In West Germany 83 per cent are in favour of more spending compared to 32 per cent of Australians (Skrentny, 1993).
2. Eurobarometer surveys reveal that Germans are among the most active; 88 per cent view protecting the environment and fighting pollution as an immediate and urgent problem.
3. According to the Vilstrup Research survey one in five Germans feel that solving environmental problems is fundamentally the government's problem (Worcester, 1993; Worcester, 1994).
4. MORI found the Germans to be green consumers (84 per cent) rather than green activists (29 per cent) (Weber and Corrado, 1993).
5. Boehmer-Christiansen and Skea (1991) also refer to the European Commission's 1992 survey which was carried out to investigate what issues really concerned each nationality. The Germans replied that the destruction of natural life, artificial living conditions and the impact of chemistry on human health are the main issues of

concern. On average the other members of the EU are more concerned about national issues.

6. A Eurobarometer report (Simonian, 1995) demonstrates that within the EU the Germans are the most willing to buy an environmentally benign product, even at a price premium.
7. In a Mintel survey (Simonian, 1995) it was found that for toiletries and cosmetics, the price premium rises to as much as 20p for those in their late twenties and early thirties.
8. The *Arbeitsgemeinschaft der Verbraucherverbände* (Association of Consumer Organisations) (1990) states that over a quarter of the German population prefer natural, environmentally friendly cosmetics. While this may be so, the results of the study carried out by ISM which was discussed in section 3.4 suggest the relative insignificance of environmental issues during the purchase of personal care products.

3.6.2 Possible reasons why Germany surpasses other nations

Boehmer-Christiansen and Skea (1991) assert that the culture in Germany fosters activism in the area of environmental protection. Even in the German language itself a receptiveness to the environment is apparent. In the 1960s a new word for the environment was chosen to connote the surrounding air, water and soil. The range of meanings of this word '*Umwelt*' is narrower than the English term 'environment'. The geographical scope is, however, global. Other terms such as '*Umweltschädlich*' (harmful to the environment), '*Umweltbelastung*' (damage to the environment), '*Umweltkrankheiten*' (diseases caused by pollution) and '*Umweltschutz*' (protection or conservation of the environment) imply responsibility and a need for effort. They invite action.

The German media pays much attention to environmental threats and German society in general seems to be anxious about external threats. In Germany the

forest is a symbol for pure air. In the 1980s demonstrations against 'Waldsterben' (literally forest death) were common. Past experience adds to the development of culture and values and hence how a nation perceives present events. History therefore sets the scene for confronting the problems which to some extent are determined by geography. Germans are aware of the possibility of trans-frontier pollution. Large cities are rare in Germany and so the Germans feel close to the countryside and probably feel more affected by the destruction of the natural environment. As a final observation Boehmer-Christiansen and Skea (1991) note that the Germans are traditionally pessimistic and anxious by nature. Environmental protection can be expected to be taken seriously.

3.7 Conclusion

Results of studies relating specifically to consumers' environmental requirements vis-à-vis personal care products appear to be inconsistent and contradictory, as are results of the more general studies on environmental consumerism. However, as a general observation from the research discussed it is probably accurate to state that German consumers are relatively highly environmentally aware, concerned and active. While literature does question the applicability of consumer attitude research to reality, findings are assumed to be reflected in consumers' purchase behaviour for many products. Retailers are in direct contact with consumers and are thus highly influenced by developments in the marketplace in the area of environmental concern. The importance of considering the issue of green consumerism is that if consumers are becoming more environmentally conscious and active, then there is a basis for believing that the pressure for environmental quality will pass from consumers through retailers and subsequently on to the supplier.

Chapter four: Environmental pressure groups and the media

The aim of this chapter is to illustrate the presence of influential environmental groups at an international and national level. The chapter concentrates on those organisations which are active in Germany and which exert a degree of pressure on other parties to adopt a more environmentally friendly attitude and behaviour. The most prominent groups are briefly discussed. Specific mention is also given to the influences of the media on the development of environmentalism. It is anticipated that retailers realise the influence which these groups have on general public opinion and respond to the activities of these forces in a way which impacts on their choice of suppliers and products.

4.1 Introduction

Environmental pressure groups exert pressure on the general public, industry and the government in an attempt to improve the state of the environment. The extent of the pressure and the targets vary widely from one organisation to the next but taken as a whole they represent a powerful influence on the business community to be environmentally aware and active. Ottman (1993) maintains that environmental groups, ranging from extremists such as Greenpeace to more moderate groups, are perceived by consumers to be the most credible source of information on environmental issues.

Environmental groups have a total of over 16 million members world-wide (Ottman, 1993). In Germany by the mid-eighties there were about 1,500 *Bürgerinitiative* (citizen action groups) and *Umweltschutzverbände* (environmental protection associations), with more than 5 million members in total (out of a population of 60 million). The *Verbraucherverbände* (consumer associations) had also become quite active with regard to the environmental acceptability of products (Simonis, 1991). As Ottman (1993, p. 89) puts it:

'Environmental groups will continue to play a leading role in publicising environmental problems and creating awareness of the links between environmental ills and industry. They will continue to mature as communicators...'

Peattie (1992) lists three categories of activity engaged in by pressure groups since the late 1980s. The first activity attempts to raise public awareness of the problems through information dissemination, lobbying and campaigns. Others take direct action by protesting and publicising environmentally damaging activities. The third area of activity is where the pressure groups aim to form partnerships with businesses in order to improve environmental performance. Alliances with environmentalists and consulting with them on major decisions and controversial areas enhances a company's credibility. Information exchange can be beneficial to both companies and environmental groups. Johnson & Johnson for example engage in discussions with the National Wildlife Federation (NWF) in the US. Other companies enlist environmentalists' support in marketing efforts. SC Johnson work together with World Wildlife Fund (WWF) to enable consumers to contribute to the 'We Care for America' grant fund. Environmental groups often form opinions on companies' products, packaging, operations and activities. This can significantly impact on companies' activities and can influence consumers' perceptions of the companies concerned and their products. Linking up with an environmental organisation would be beneficial for retailers also, firstly from a PR point of view and secondly from a synergy standpoint. Environmental organisations have knowledge and expertise which could assist purchasers in evaluating suppliers and their products.

4.2 Environmental groups affecting Germany

As the economic situation in Germany worsened in the 1970s and into the 1980s, ideas about using environmentalism to preserve the dignity of a nation

which is considered to be a stable, wealthy and enviable Western democracy, became more appealing. Environmental groups played on the public's fear of poor health, shorter life-span and nuclear power catastrophe and became a significant and stable feature of the environmental scene in Germany. An enormous range of environmentally concerned organisations throughout Germany have had and still have significant influence on German and European environmental policies both at international and local level:

- Greenpeace
- The World Wide Fund for Nature (WWF)
- *Naturschutzbund Deutschland* e.V. (German association for nature protection)
- *Bund für Umwelt und Naturschutz Deutschland* e.V. (BUND) (Federation of environmental and nature protection)
- *Die Naturfreunde* (Friends of nature)
- *Bundesdeutscher Arbeitskreis für Umweltbewußtes Management* e.V. (BAUM) (Working group for environmentally conscious management)
- *Deutscher Naturschutzring* (DNR) (German nature protection group)
- *Arbeitsgemeinschaft Verpackung und Umwelt* e.V. (AGVU) (Working group for packaging and the environment)
- *Arbeitsgemeinschaft für Umweltfragen* (AGU) (Working group on environmental issues)
- *Bundesverband Bürgerinitiativen Umweltschutz* e.V. (BBU) (Federation of citizens initiatives for the environment)
- *Gesellschaft zur Förderung umweltgerechter Strassen und Verkehrsplanung* e.V. (Society for the promotion of environmentally acceptable infrastructure and traffic)
- *Schutzgemeinschaft Deutscher Wald* (SDW) (Association for the protection of German forestry)
- *Schutzgemeinschaft Deutsches Wild* (Association for the protection of German wildlife).

Compared with other EU countries the number of environmental groups in Germany is relatively high. There are only four in the Netherlands, five in Italy, seven in France and eight in Spain (Weber and Corrado, 1993, p. 10). A MORI survey conducted in 1993 (Weber and Corrado, 1993) found that 19 per cent of Germans requested information from environmental organisations in the space of a year and that 21 per cent of the population campaigned on environmental issues. These findings were higher than in any of the other 15 countries surveyed at the time.

4.2.1 The most prominent groups

In the 1970s almost half of the *Bürgerinitiativen* in West Germany involved themselves in environmental issues and by 1972 had organised themselves into BBU who direct its messages towards the general public rather than to politicians.

BAUM, the German environmentalist management society, was set up by a number of companies in Germany in order to facilitate the exchange of information and to encourage environmental activities in the management of every firm. BAUM encourages companies to concentrate on suppliers' environmental credentials (Winter, 1988).

BUND, the German branch of Friends of the Earth (FoE), is the strongest environmental organisation. It had 250,000 members in 1991 (Simonis, 1991). They typically target consumers with information and explanation on how each individual can contribute to the improvement of the environment. They also lobby the government on environmental issues such as waste disposal and traffic regulations.

Greenpeace is probably the most renowned environmental group, being an international organisation and globally active. The issues covered by them

range from nuclear power to climatic changes, from forest and sea destruction to disarmament. Often they target industry directly, but they also communicate information to the general public in order to heighten awareness.

WWF communicates, campaigns and lobbies governments on environmental issues. It is not uncommon for WWF to use the media to communicate their message to the general public. 56 per cent of the German population are aware of the organisation and its activities; 79 percent of whom consider it to be a reputable organisation (Weber and Corrado, 1993). Germans perceive WWF to be primarily interested in saving the environment for future generations. Their role as educators and advisors on the environment is also appreciated.

Verbraucherverbände, for example the *Verbraucher-Zentrale NRW* (Consumer organisation in Nordrhein Westfalen, a German state), have also taken a stand on environmental issues. These associations offer advice and support to consumers in all aspects of their purchase behaviour. One of the most important issues addressed by them is the subject of protecting the environment. To this end they organise projects and initiatives which involve the consumer and the environment. They periodically publish information leaflets for industry on how to become more environmentally friendly in their processes and activities.

4.2.2 Environmental groups and packaging

A number of organisations at both German and EU level concentrate their efforts on packaging waste management issues. Among the most active in the field are EUROPEN (The European Organisation for Packaging and the Environment), ERRA (The European Recovery and Recycling Association), AGVU and the *Verbraucher-Zentrale* (NRW).

EUROPEN advises companies on how packaging directives affect business, what the economic consequences of compliance are and what changes must be

made and when. ERRA deals with all issues relating to waste. AGVU is a forum in Germany for discussion on economically and ecologically optimal packaging. Member companies work on policies which obtain the balance between economy and ecology through market forces, rather than regulation. Information is disseminated and they act as a consultant to companies wishing to improve the impact of their packaging.

Stiftung Warentest, a German magazine, has proposed that refillable product packaging in the personal care products sector has potential. The *Institut für Markt, Umwelt und Gesellschaft* (German institute for the market, environment and society - imug) (1996) claim, however, that only very few consumers would accept refillable systems for shampoos, shower gels and other liquid products. Another of *Stiftung Warentest's* criteria is that packaging materials be easily separated and appropriately labelled to assist recycling. Environmental organisations such as BUND, Greenpeace and WWF have long been campaigning for a complete ban on all PVC packaging. *Öko-Test*, a German environmental magazine, criticises products whose packaging contains aluminium, formaldehyde or chlorinated synthetic materials.

The *Verbraucher Zentrale NRW* (1994) carried out some research into the area of packaging of personal care products and initiated a campaign for less packaging. The trend in 1994 was apparently in favour of refillable packaging. The Association advises that this is only the third best solution to the waste problem within this product group. It proposes the use of taps and re-usable containers and the standard re-usable bottles. These methods would avoid considerably more waste than refillable plastic packaging.

4.2.3 Environmental groups and personal care products

Due to the range of environmental issues affecting the personal care products industry, a number of organisations target this industry with the aim of

pressurising retailers and manufacturers into adopting a more environmentally acceptable attitude towards business. The areas targeted by these groups are likely to be important considerations for retailers during the product selection process.

The issue of animal testing is controversial. What constitutes 'cruelty-free' products? Should the ingredients never have been tested on animals? Does it have a temporal component, i.e., not tested on animals within the past five years? A precise definition of the term does not appear to exist. The 1976 EC directive demands that every new ingredient be subjected to rigorous testing. Some companies use this date as a cut off date and will not use ingredients which have been tested on animals since that date. This view is supported by CTFA. Others claim that this rigid point discourages companies from choosing alternative ingredients or testing methods. They strive not to use ingredients which have been tested within the previous five years - a rolling cut-off date. This means, however, that in 1996 ingredients which were tested on animals since 1991 are not used, but that in 1997 those ingredients tested in 1991 may be used since 1991 falls outside the five year cut-off date. There certainly is still confusion in the industry over the 5-year principle (Adams et al., 1991; Hogan, 1990; Prothero and McDonagh, 1992). The CTFA has recommended the following changes to this standard:

- Reduction of the need for animal testing to an absolute minimum.
- Refinement of tests to make them more acceptable.
- Replacement of tests using live animals by alternative methods.

BUAV (British Union for the Abolition of Vivisection) and RSPCA (Royal Society for the Prevention of Cruelty to Animals) in the UK are the most prominent groups in the EU campaigning for the welfare of animals in the personal care products industry. They aim to change opinions, educate the public and influence decision makers in government, commerce and the scientific community.

BUAV argue that animal testing is inherently inaccurate. The 'species gap', as BUAV calls it, means that due to the structural differences between species, only humans are a suitable test-model for other humans. The organisation also calls for the use of tried and tested ingredients. Over 8,000 such ingredients have been used in the personal care products industry for years and are known to be safe. They argue that there is scope for new product development using different combinations of these, without introducing new chemicals, which under EU regulations must be tested before being allowed onto the market. Where testing is necessary BUAV campaigns for the use of alternative methods. Cell toxicology, tissue or cell culture, in vitro tests and tests using plants and micro organisms are encouraged. Although the EU directive of 1993 calls for a ban on all tests by 1998 subject to the availability of alternative methods of testing BUAV argues that this will not be possible. They call for a complete ban on animal testing regardless of the validation of alternatives. BUAV also have reservations about the EU-eco-label, which awards the label to personal care products which have been tested on animals, although most consumers see animal testing as a significant environmental issue.

The RSPCA are also active in this area. Since most cosmetic ingredients are chemicals and EU law requires all new chemical substances to be tested the RSPCA maintain that alternative testing methods are the only solution. However, in order to replace animals in tests three steps need to be fulfilled. Firstly, an alternative must be found. Validation is then necessary and thirdly regulators must approve and adopt it. This is a time consuming process.

To confront the 1993 directive which aims to prohibit all substances which have been tested on animals by 1998, COLIPA set up a committee to coordinate the activities of companies in their search for alternatives. This committee works closely with the EC Centre for Validation of Alternative Methods (ECVAM), which was set up by the EU Commission and is based in Italy.

The *Deutscher Tierschutzbund* (German society for the protection of animals) has laid down certain criteria for companies:

- Animal testing for the development or manufacture of the end product is prohibited.
- Raw materials which have been tested on animals since 1.1.1979 are not permitted.
- Raw materials which are acquired in such a manner as to cause suffering or death to animals, e.g., civet, mink oil, turtle oil are prohibited.
- No economic ties to other companies who carry out animal testing or who contract animal testing out to others.

The IKW is currently working steadily on the development of environmentally friendly products, on consumer protection and on the co-ordination of efforts to discover environmentally benign waste disposal management. They voice the opinion that while the replacement of some tests is not likely in the foreseeable future, in time it will be possible to replace animal tests with in vitro tests in the areas of eye irritation, percutaneous absorption (absorption through the skin) and toxicity. Since before 1991 tests have been carried out in the area of compost and anaerobic fermentation of hygiene products. It now works together with the European Disposables and Nonwovens Association (EDANA), the Institute for Standards Research (ISR) and the Organic Reclaim and Composting Association (ORCA) on biodegradability and environmental friendliness. Research in the area of biodegradable and anaerobically fermentable synthetic materials and bio-waste is ongoing.

In October 1989 the *Arbeitskreis Hersteller Natürlicher Körperpflegemittel und Kosmetik* (German Association of manufacturers of natural personal care products and cosmetics) was founded. Among its aims are:

- The development of common quality standards for raw materials, packaging, manufacturing and marketing under environmental criteria.
- The introduction of a uniform declaration of ingredients, including their origin.
- Complete prohibition of animal tests.

4.3 The media

Like most other industries, the personal care products industry has been a target for the media for the past number of years. A positive or even neutral report in the media results in increased turnover, whereas a critical report leads to irreparable damage to the company and the industry as a whole. In this respect the media have control over society and in addition are in a powerful position to mould public opinion. Consumers in Germany are the most environmentally and health conscious in Europe, which has resulted in a very sensitive marketplace, where the effects of detailed and critical media reports are readily recognisable (Hölzer, 1991). Personal care products are a product group where lack of information on the part of consumers is widespread. The purchase of such products is also classified as a high involvement purchase. In light of these two facts, the media could be said to play a significant role in the formation of public opinion. Two of the most powerful magazines in Germany in the area of environmental issues are *Stiftung Warentest* and *Öko-Test*. The television programme *Monitor* is also one of the most effective media in the area of environmental issues (imug, 1996). Retailers could potentially benefit from tracking environment-related reports in the relevant media.

Stiftung Warentest has targeted the personal care products industry on numerous occasions in the past, the most recent special edition being issued in Summer 1996. Natural, facial and sun protection creams, shampoos,

deodorants and mouthwash solutions have been subjected to judgement under specific parameters, which are selected for each individual product group. A definitive quality level is awarded to the product after microbiological, chemical and technical parameters have been met and product effectiveness tested to satisfaction. The weighting for each criterion differs for each product type. The test for natural products for example concentrates primarily on the origin of the ingredients, the preservability of the products and the microbiological quality. *Stiftung Warentest* also recommends that packaging consist of as little material as possible, be easily separable and labelled. In the 1996 special edition products from Estée Lauder and Lancaster were criticised on the grounds that the product packaging weighed 3 - 4 times as much as the contents. In the case of Estée Lauder musk was also to be found in its creams, an ingredient which has been subject to public debate for a number of years. Preservatives were also a critical element in this evaluation. Attention was also paid to the presence of formaldehyde (a poisonous gas) in creams and dioxin (a toxic chemical by-product of the manufacture of certain herbicides and bactericides) in shampoos.

Öko-Test is a monthly environmental magazine with a readership of 135,000. Also in Summer 1996 it published a report on personal care products. Once again musk, formaldehyde and other preservatives and packaging were the main areas of focus. Its criteria are stricter than those of *Stiftung Warentest* in the sense that *Öko-Test* concentrates fully on the environmental aspects of products. Mineral oil, aluminium powder and PEG (polyethylene glycol) are negatively evaluated as are products whose ingredients have been tested on animals. *Öko-Test* also devalues packaging containing PVC, chlorine or aluminium (imug, 1996).

4.4 Conclusion

Environmental pressure groups including organisations within the personal care products industry itself and the media are present in number and force in Germany. They not only influence public opinion and legislation, the other sources of pressure in the business milieu, but also serve to make retailers more aware of environmental issues and hence more receptive to the increasing importance of considering environmentalism as a purchasing criterion in the supply chain. The issues raised and challenged by these groups could conceivably become areas of concern for retailers also.

Chapter five: The personal care products industry

The objective of this chapter is to justify the choice of the personal care products industry for illustration and to discuss the industry in the context of environmental issues. Part one looks at the personal care products industry in Germany as a whole and at the development of environmentally friendly products within the industry in general. The question as to what constitutes an environmentally benign product or company within the industry is addressed in section two. Part three illustrates the environmental issues facing the industry and the way in which companies may deal with the challenges. Natural, environmentally friendly products are the extreme case. The issues which impact on their production and promotion are matters which would arise for retailers were they to attempt to influence the environmental quality of suppliers' products.

5.1 The personal care products industry - an overview.

5.1.1 The market

IKW (1995) looks at the state of the diversified personal care products industry in Germany in 1994. The development of the personal care products industry in 1994 was clearly moulded by the overall economic environment in Germany. The market volume of personal care products was DM 15.8 billion, representing a drop of 0.3 per cent on the 1993 figure. The market for hygiene products - diapers, toilet paper, tissues, refresher towels and make-up remover tissues - increased by 1 per cent to DM 5.4 billion.

From the beginning of the 1980s to 1994 the personal care products market experienced continuous above average growth. The stagnation in 1994 was due primarily to an evident purchase restraint in the new German states. Even

during the Christmas period in 1994 expectations were not reached. For the first time in many years the per capita expenditure for personal care products stagnated at approximately DM 195.

The market segments developed at different rates. While the hair-care market declined to DM 3.3 billion, skin-care lines registered a 1 per cent growth to about DM 3.4 billion. Fragrances and perfumes rose by 3.1 per cent, while men's personal care products remained stable. Bath foams and shower gels performed above average, increasing by almost 1 per cent. Losses were evident in the decorative cosmetics market, down by 2.2 per cent on the previous year and dental-care products were also down (by 2.1 per cent), as were deodorants (by 1.8 per cent). The worst case was soaps, in particular bar soaps, falling by 4.5 per cent. All other body care goods were down by 2.2 per cent (see table 5.1 below).

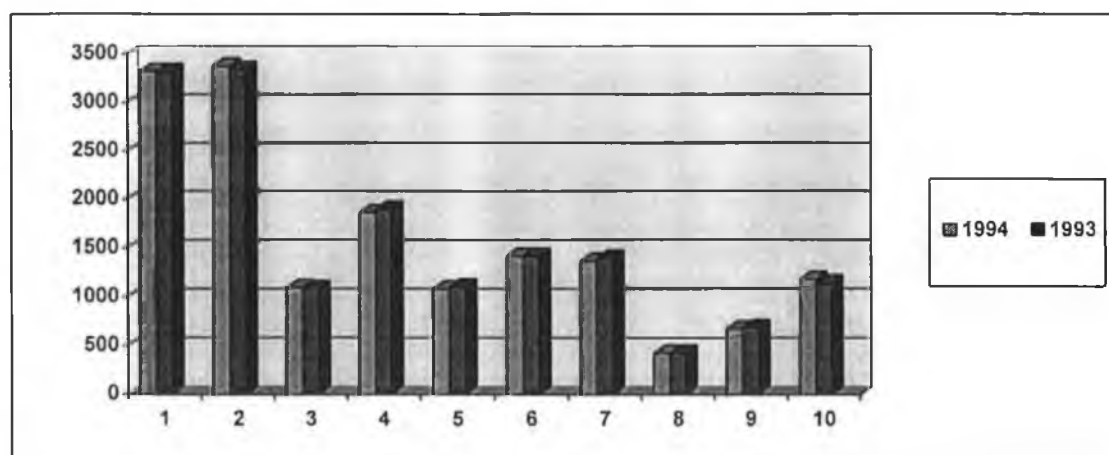


Table 5.1. Source: IKW, 1995: Market size in DM billions for the following product groups:

- | | |
|---------------------------------|-----------------------|
| 1. Hair-care products | 2. Skin-care products |
| 3. Bath and shower gel | 4. Dental-care |
| 5. Deodorants | 6. Men's cosmetics |
| 7. Decorative cosmetics | 8. Soaps |
| 9. Other personal care products | 10. Women's perfume |

IKW (1995) estimates that the EU personal-care products market reached a value of DM 59 billion in 1994. Germany is the largest market, followed by France, Italy, the UK and Spain. In fact the German market accounts for a quarter of the total EU market for personal care products.

5.1.2 The emergence of green products

Even if personal care products do not belong to the most environmentally threatening of product groups, environmental issues are becoming more and more important in this product sector (imug, 1996). The development of more environmentally acceptable products (whether new or modified) such as 'cruelty-free' and natural products is a relatively new and developing market segment. Prothero and McDonagh (1992) suggest that this trend may be attributed to the general rise in the number of green customers. Reasons for the increase in importance of environmental issues in the personal care products sector include the increase in scientific knowledge about the effects of certain ingredients and processes on the environment, legislation, and the fact that society is becoming more health conscious and is insisting on natural products while rejecting chemically-derived products (imug, 1996). Stein (1995) reports that the turnover of natural personal care products in Germany approaches DM 300 million.

Shrivastava (1996) claims that The Body Shop occupies a unique position in the global personal care products industry as a result of its policy of marketing only environmentally benign products. Ottman (1993, p. 69) quotes Zinn (1991) who claims that The Body Shop 'has rewritten the rules for the \$16 billion global cosmetics business'. The personal care products industry has been sluggish for the past few years, but still remains an industry of glamour, fantasy, multi-million-dollar advertising budgets and false claims. Demand is maturing and the market niche created by The Body Shop has expanded into the mainstream personal care products industry. Own-label suppliers and multiples are introducing their own brands of green personal care products,

which has a significant impact on the small specialist outlets, whose development will be necessarily curtailed. 'Corporate greening is not simply a fad, a transient phenomenon, or a small market niche' (Shrivastava, 1996, p. 87).

5.2 Environmentally friendly products and companies - what are they?

When we read in the *Arbeitsgemeinschaft der Verbraucherverbände* (1990) that 'natural' personal care products have conquered the retailer shelves in Germany in recent years and that in 1990 more than a quarter of the German population favoured 'natural' personal care products, the question of what constitutes a 'natural' personal care product arises. Indeed across industries much confusion exists about what constitutes an environmentally friendly product or process. This is probably due to the fact that the degree of environmental impact varies across industries. Anita Roddick, founder of the Body Shop, admits: 'If you are into manufacturing, then you are into producing more and more, and you cannot be called an environmentalist' (Conlin, 1994, p. 69). The question to be asked therefore is how can the impact on the environment be minimised to develop a more sustainable economy. Adams et al. (1991) is one of many authors who propose the 'cradle to the grave' management of products from extraction, through to manufacture, use and disposal.

5.2.1 Green personal care products

Prothero and McDonagh (1992) ask what an environmentally friendly product is. They conclude that it encompasses not only the finished product but also, and perhaps more importantly, the production process involved. The importance of considering this issue lies in the fact that in laying down specific standards for suppliers, retailers are influenced by what may be

regarded as the ultimate environmentally friendly product. A 4S strategy is suggested (taken from Peattie 1992):

1. Satisfaction of customer needs and wants.
2. Sustainability of products' consumption of energy and resources.
3. Social acceptability of both the company and its product offerings.
4. Safety of the product.

In the personal care products industry the definition of environmental acceptability varies - organisations who are operating on a cruelty-free platform may not be environmentally acceptable when other aspects of environmentalism, such as the use of recycled and recyclable packaging, are considered. In today's market it may be that as far as cosmetics and toiletries are concerned there may be different types of consumers of environmental products, and consequently there may be different types of purchasers within the retail sector:

1. Those who require the whole business to be environmentally friendly, including research, production processes, suppliers' activities and all other environmentally conscious activities such as waste management, energy consumption, environmental audits and transport policies.
2. Those who require the product they purchase to have as many environmental attributes as possible, i.e., not overpackaged; recyclable/reusable container; CFC-free; not tested on animals; no animal based substances.
3. Those who require only 'cruelty-free' products.
4. Those who require CFC-free products with consideration also made towards the environmental friendliness of the products' packaging.

5.2.2 The German definition

In 1992 the German Government formulated a definition for natural cosmetics which, however, has not yet been translated into legislation. The definition

was also proposed to the EU ministry without much success. Stein (1995) presents the argument of the Government that a national law would be pointless, since importers would not be obliged to adhere to its requirements. The definition is, however, followed by German manufacturers of natural cosmetics. It insists that such products are produced from 100 per cent natural material from plant, animal or mineral resources. The extraction and manufacture of these raw materials may include physical processes only. It does not advise that preservatives be avoided altogether.

Within Germany there are certain issues which appear to be consistently addressed by those groups which promote environmentally friendly personal care products, including health food stores, consumer councils and the *Bundesverband Naturkost Naturwaren Hersteller e.V.* (BNNHE) (German Society of Manufacturers of Natural Products). To cover all requirements it appears that a consideration of the following areas of environmental activity is necessary:

- Products and their environmentally acceptable attributes.
- Research of companies into the production of environmentally acceptable products.
- Production processes of companies.
- Environmentally conscious activities of companies.

Magazines such as *Parfümerie und Kosmetik*, *Brigitte*, *Consum Critic* and *Öko-Test* have discussed the issue of environmentally friendly personal care products. Product ingredients, the production process, animal testing and packaging are the issues which receive most attention. While it is generally agreed that consumers are more conscious and aware of the issues, Krämer (1995) maintains that few consumers relate the issues to personal care products.

5.3 Detailed discussion of environmental issues in the personal care products industry

There appears to be a thread of issues running through the examples of environmentally friendly personal care product companies given in literature¹. It is possible that these issues are similar to the requirements placed by some retailers on their suppliers. The following are discussed below in greater detail: policy, mission, vision; natural products; animal testing; packaging; auditing, Life Cycle Assessment (LCA); energy; waste; transport.

5.3.1 Policy, mission, vision

Without a clearly expressed objective to engage in environmentally acceptable behaviour the future path of a company will veer towards those goals which are uncomplicated and easier to achieve.

A supplier's mission and vision needs to revolve around environmental protection and sustainability and impact on all aspects of the business including product development, manufacture, waste disposal and energy consumption. The environmental policy of The Body Shop includes a number of pivotal points, which would provide a good basis for retailers on which to evaluate suppliers:

- Think globally about their obligation to the environment;
- Search for sustainability;
- Growth guided by environmental and economic implications;
- Minimise energy usage;
- Reduce, reuse, recycle or dispose of waste by the safest means possible;
- Control pollution;
- Operate safely by minimising risk;

¹ See Shrivastava (1996), Alexandrin (1994), Entine (1995), Adams et al. (1991), Welford (1994), Conlin (1994) for detailed examples.

- Obey environmental laws and raise awareness.

(Alexandrin, 1994; Shrivastava, 1996).

According to Shrivastava (1996) Total Quality Environmental Management (TQEM) (Procter & Gamble's policy) is the basis of a good policy. TQEM has four main principles:

- The company is answerable to numerous customers on all environmental issues pertaining to the company's products and processes.
- The company continuously strive for environmental performance improvements.
- Doing the job right on the first attempt reduces waste which in turn reduces the environmental impact of the company's activities.
- Collective standards for environmental performance are set by teams which are established to carry out environmental projects.

5.3.2 Natural products

Mintel (1991) claims that the increased demand for natural products stems from consumers' concern about the scientific benefits of products and their impact on nature. Most natural products use plant extracts as ingredients, avoid animal-based ingredients, contain no regular preservatives, no animal by-products or synthetic surfactants and no synthetic humectants.

The use of animals in the cosmetics industry as raw ingredients for formulations and perfumes is negatively perceived by most proponents of natural personal care products (Chorlton, 1988; Gormley, 1990; Thomas, 1992):

- Gelatine, made from various slaughter house by-products, is used in most protein shampoos.
- Oleic acid, made from animal fats, is used in nail polish, lipstick, soaps, creams.

- Crushed snails are often used in face creams to provide a sheen and collagen, animal protein fibres from animal tissue, is also used in creams and lotions to help moisturise.
- Ambergris, from the stomach of sperm whales, is used as a fixative to help scent to last and as a lubricant for lipstick and creams.
- Musk, from the male musk deer, castoreum, from the glands of beavers and civet, from the gland under the tail of the African civet cat, are used in the perfume industry.

It is argued (Euromonitor, 1989) that totally natural personal care products are impossible to manufacture, since some form of synthetic preservative is required. 'The only true natural substances are those that have been obtained from nature without alteration of their composition' (Birman and Flynn, 1995, p. 42). Alin (1995) proposes that achieving true harmony with nature in the future may mean taking the following points into consideration:

- An all-natural product will be less complex and potentially less pleasing because the manufacturers palette of materials is more limited.
- Natural raw materials and chemical synthetics combinations may be the best solutions since nature is itself made up of a series of chemical compositions.
- Life would be boring without certain artificial additions.
- The consumer trades off among a multiplicity of choices including natural and non-green criteria.

5.3.3 Animal testing

The second most contentious issue in the personal care products industry after ingredients is the area of animal rights. Almost every cosmetic contains preservatives, colours, fragrances and other ingredients that must, according to all regulations, be certified as safe. To be certified they almost certainly had to

have been tested on animals. Many companies subcontract animal tests or find other ways to disguise their use of animal-tested ingredients. The issue of animal testing has hit big multinationals who are now faced with the legal, moral and marketing challenge of modifying product ranges, packaging, promotion and processes. There are some market leaders who have opted for alternative testing methods and who constantly engage in research in the area: Revlon, P & G, The Soap & Detergent Association, Bausch & Lomb, Benetton and Avon for example.

Pressure groups began launching cruelty-free campaigns in the 1980s to raise public awareness of the issue. Consumer pressure for alternatives to animal testing is unremitting. There were calls a decade ago for a complete ban on animal testing in Germany. Since 1986 tests on decorative cosmetics are prohibited. During the 1980s there were powerful campaigns against the Draize test, where chemicals for testing are poured into the animals' eyes, and the Lethal Dose (LD) 50 test, where animals are force-fed or plastered in large quantities of the ingredient in order to see how much their intestines and skins can tolerate before half of them die. The dilemma faced by personal care product companies is that due to the fashionable nature of the industry, new products must constantly be launched onto the market. However, new ingredients need to be tested - something of a catch 22 situation.

It has been argued that since physiologies vary and different species react differently to different substances, it is impossible to extrapolate results from animal testing (Adams et al., 1991). In support of this is the argument that personal care products can be produced from tried and tested ingredients and therefore do not need to be tested. If testing is necessary, the general attitude is that alternative tests should be used, e.g. vitro tests, mathematical modelling, physio-chemical models, use of less-sentient organisms or human studies using volunteers. On the other hand, Entine (1995) maintains that researchers in the area of animal testing advocate that limited testing for ingredients remains a necessity since the technology of alternative testing for

raw materials has not yet sufficiently advanced to guarantee product safety. Only animals provide the integrated, reactive biological system that approximates close enough to that of a human. There is still a long way to go before animal testing for personal care products is completely gone.

5.3.4 Packaging

Green pressures in the area of over-packaging also affect the personal care products industry. Most personal care products packaging is designed to attract customers. To be environmentally acceptable the packaging should:

- be refillable, reusable or recyclable;
- be consistent with the product;
- be durable;
- ensure safety of the product;
- be appropriate and necessary - no excess, minimal quantities (Sadgrove, 1994).

5.3.5 Auditing and Life Cycle Assessment (LCA)

A LCA system affirms and verifies the impacts of a product on the environment. Against the background that customers demand a high quality product, the retailer may focus on the environmental credentials of suppliers and ensure that the product's impact in production, use or disposal is minimal. Alexandrin (1994), drawing from The Body Shop example, lists four main areas involved in the movement towards product stewardship:

1. Suppliers' environmental management and auditing systems and their compliance with certain standards of emissions and waste are rated using the company's environmental accreditation scheme.
2. The full range of potential environmental impacts from raw material procurement through to manufacture, distribution and use of products is covered with the co-operation and collaboration of suppliers.

3. Raw materials which are used in greatest quantity, which are highly toxic or which have low biodegradability are given special consideration in a risk assessment.
4. Guidance notes on suppliers, substances and processes helps when renewing an order or forming agreements with new suppliers.

5.3.6 Energy

Energy efficiency focuses on minimising NO_x, SO₂ and CO₂ emissions, on avoiding nuclear waste and on developing solar and wind energy sources (Welford, 1994). Systematic energy audits, conservation programmes throughout the company and wind farms are examples from P & G's energy self-sufficiency policy (Shrivastava 1996).

5.3.7 Waste

A number of authors discuss the issue of waste management. Topics addressed include recovering clean water and reusable heat, researching and developing scientific solutions to environmental waste problems on an ongoing basis, consideration of waste issues in the early stages of product development, source reduction of waste, using renewable resources and taking responsibility for emissions (Ottman, 1993, Shrivastava, 1996, Welford, 1994).

5.3.8 Transport

Reducing packaging and the amount of material used in production can have significant effects on the costs of transportation. Apart from saving natural resources and material costs lightweighting packaging reduces energy consumption during transportation (Ottman, 1993). The logistics method chosen can also lead to enormous environmental consequences.

5.4 The future

The growing influence of environmental issues is already evident in the personal care products industry. In the future society will become more leisure-oriented and will be searching for new goals in life. Reng (1989) suggests that in the next century one of these goals will be an increase in activities in the areas of environmental protection and a more healthy and conscious lifestyle. The increasing orientation towards nature will lead to a growth in the natural, environmentally friendly personal care products market. It is suggested that to predict how society will be behaving in 25 years time, one need only observe what the wealthy consumers (which make up only perhaps 5 per cent of the population) are doing today, as these are the people that society tend to follow. Reng (1989) also postulates that the large retailers in Germany such as Aldi and Tengelmann will have a large influence on the development of the personal care products market, as will magazines such as *Öko-Test*, *Stiftung Warentest* and *Natur*, which have an environmental orientation. Moreover, the development of personal care products in the future will involve not only the chemical expert, rather it will consist of a team made up of dermatologists, toxicologists, environmentalists, law experts, cosmetics experts and other analysts.

Prothero and McDonagh (1992) believe that in the future one or two environmentally acceptable attributes may not be enough to attract the newly emerging and better informed environmentally conscious consumer. An environmental strategy is required for all of a company's activities, not only the finished product and its ingredients. It may be that stricter specifications are required when accepting goods from suppliers. The practice of both sustainable development and the production of environmentally acceptable products requires the organisations' overall philosophy to consider environmental issues at all times and for all market segments. Even proactive companies need improvements if they are to be perceived as environmentally

acceptable in the future. Environmentalism should be integrated into the overall strategy of the organisation. In identifying with the environment a company is inviting public scrutiny and possible liability (Alexandrin, 1994). As a result, practical environmental management skills to reduce waste, improve the quality of raw materials and aim for the lowest environmental impact possible are needed.

5.5 Conclusion

The controversies surrounding animal based substances, the testing of ingredients and finished products on animals and the industry's use of harmful substances as well as the size of the global (and German) personal care products market make the cosmetics and toiletries industry a viable choice for research. As consumers become more sophisticated and informed claims of natural origins and anti-animal tests will have to be substantiated in practice.

The importance of green issues in the personal care products industry and the significance of the ways in which companies are addressing these issues should not be underestimated. It is not so much how environmental issues affect the industry now as how this force should be viewed as it relates to the industry's future. In time the whole company will need to operate in an environmentally friendly manner, rather than simply offer one line of products which they market as environmentally friendly. In light of these issues conventional manufacturers of personal care products may be requested by retailers to adopt a production policy similar to those manufacturers who are already marketing products with an environmental tag.

Chapter six: Retailers and environmentalism

Having researched the relevant background material, which raises some issues which require further investigation, this chapter outlines the main thrust of the primary research. It asks the questions: What environmental standards are German retailers setting for their suppliers? Why? How is this trend likely to develop in the future? Part one of the chapter discusses the supply chain in general with specific reference to environmental issues and retailer power. The trends emerging within the retailing sector are considered in part 6.2 and examples of German retailers are given in the following section. In the final section plans for further research in this area are outlined.

6.1 The supply chain and environmentalism

‘Viewed from a life cycle perspective, a product is part of a larger system; namely, the value-added chain from raw materials to end uses’ (Fiskel, 1995, p. 30). The supply chain is made up, as the term implies, of a number of links. At one end of the chain is the consumer, at the other the raw material supplier. Those close to the consumer end of the continuum are said to be operating downstream, while those closer to the raw material stage are said to be operating upstream. Each intermediate link (R & D, raw material supplier, components supplier, packaging supplier, manufacturer, distributor, wholesaler, retailer) contributes to the process of getting the finished product to the consumer. In recent years a final link from the consumer to another party has been introduced. This final link is responsible for recycling waste. The value chain concept is an essential element in LCA, which looks at the whole life of the product, from raw material acquisition to disposal.

Roy and Whelan (1992) believe that co-operation and collaboration among the various companies in a product’s value chain is crucial to the development of a

green product strategy. The whole life of the product, not just its manufacture, needs to be considered. This is termed 'Product Stewardship' and functions only when there is adequate communication of information within and between the supply and distribution chains. Product design and material selection, the manufacturing process including, among other factors, energy consumption and packaging, the logistics of distribution and collection at the end of the product's life are the main components of product-stewardship. It takes effort on the part of the material suppliers, the designers, the manufacturers, distributors, retailers and reprocessors of waste in order to ensure that environmentally friendly products are put on the retailers' shelves. The interdependence inherent in the process of getting an environmentally acceptable product to the consumer has become apparent. Product stewardship leads to an industry-standard and pressurises both other companies in the industry and across the entire product value chain to foster environmentally friendly strategies (Harrison, 1993; Roy and Whelan, 1992).

6.1.1 Retailer power

Traditionally the power in the supply chain lay upstream with the producer. Retailers were regarded as relatively passive intermediaries. Indeed it is argued by some, including Terry Leahy, the marketing director of Tesco in the UK, that the power still remains with the producer. In Grocer (1994, p. 22) Leahy asserts that 'if in each major product category the top five European manufacturers' shares were to be compared to the top five European retailers' shares, then it would become quite clear that the former is still far more concentrated than the latter...On the face of it, it may be thought that the larger retailer has considerable buying power...In reality, the position is nothing like this'. However, most of the literature strongly advocates a shift of power. During the 1980s power gradually shifted in the direction of the retailers, as their role of controlling the flow of products and information between consumer and producer began to be recognised and valued. Schultz (1987), as cited by Peattie (1995), sees two major driving forces behind this shift in

power balance: Acquisitions and mergers mean that retailers have increased in size and the introduction of electronic point of sale (EPOS) gives them informational power. Product proliferation, retail branding and improved retail management are other contributors to the rise of retailer power. The trend is towards fewer but larger retailers (Jeannet and Hennessey, 1992). Retail concentration is on the rise.

Since the 1970s, and even more so since the reunification, Germany has by some measure been Europe's largest retail market, with sales in 1995 of DM 760 billion from over 400,000 establishments. Germany is also home of some of the largest retail groups in Europe. Four of the top five positions in Europe are occupied by German retailers (M&M EUROdATA, 1994). Between 1970 and 1979 the number of grocery stores per thousand inhabitants fell from 2.8 to 1.6¹. Between 1980 and 1984 the share of the market controlled by large chains and co-operatives increased from 58 per cent to 67 per cent². The recession in German retailing during 1992-1994 brought about mergers and restructuring which made the retail market even more concentrated. At present 43 per cent of the market is controlled by six retailers (McGrath, 1996) and according to M&M EUROdATA (1995) the top 10 retailers in Germany control 78.8 per cent of the German retail market.

It is now widely accepted that retailers have considerable buying power due to their position in the supply chain. This position of power was originally used by retailers to gain competitive advantage by obtaining discounts from suppliers and controlling delivery rates, volumes and credit arrangements (Welford, 1994). It was also in the 1980s that environmentalists switched from lobbying legislators towards attempting to exert some influence on retailers' and consumers' interest in environmental issues (Ottman, 1993).

¹ Taken by Jeannet et al. (1992) from: Dichtl, E. and G. Finck, 1982. Public policy towards distribution in the Federal Republic of Germany. Institut für Marketing, Universität Mannheim.

² Taken by Jeannet et al. (1992) from: 'Retailing: grocer power', The Economist, January 10, p. 56.

Retailers are a common interface between manufacturers, government, environmental organisations and the consumer. Through the market economy system they can effect environmental changes (Simms, 1992). The retailers' introduction of environmental policies relating to suppliers has a huge impact therefore on the whole of the upstream part of the supply chain.

6.2 Retailing and environmentalism: the trends

The importance of retailers in the quest for sustainability had for a long period of time been underestimated. Now they are perceived as 'ecological gatekeepers' or purchasing agents in a mediating role selecting products from manufacturers for further sale to consumers (Hopfenbeck, 1993, p. 250). He also maintains (p. 263) that 'In the 1980s the involvement of a retailer in green issues was seen as a voluntary step. Today, it is not only expected; it is demanded'. Retailers are a new and powerful source of pressure for companies. Success depends to a large extent on the individual retailer's power and on manufacturer compliance. Hopfenbeck (1993, p. 251) uses the term 'ecology-pull strategies' to describe how the retailer influences the environmental performance of suppliers. He notes that retailer power enables them to:

- select suppliers based on environmental criteria.
- influence suppliers' activities in the areas of product design, materials used, energy consumption, transportation of goods, among others.

In their role as mediator between consumer and producer, retailers are likely to be effected by green consumerism before those channel members who are further upstream. Retailers have the most direct contact with consumers. Consumer pressure is being used constructively by retailers to encourage environmental improvement throughout the supply chain. Retailers in general do not directly control raw material choices, energy consumption, pollution

and waste from manufacturing plants, but they are beginning to realise that if they wish to be recognised as environmentally responsible businesses, then their suppliers must also meet certain environmental standards. Their environmental strategies must encompass not only their own activities but also the activities of their suppliers. Without sound knowledge of suppliers' products and production processes, environmental improvements on the part of the retailer would be superficial. Shrivastava (1996) advises that the retailer should strive to influence not only product and packaging specifications, but also energy and resource conservation and waste management programmes of their suppliers. They should insist on more environmentally benign products and services, examine suppliers' environmental standards, rate their performance against environmental criteria and perhaps even go so far as to build environmental clauses into contracts. If manufacturers do not wish to be de-listed by their customers they must comply with retailers' demands.

6.2.1 Retailer reaction to green pressures

Peattie (1995) proposes that the initial reaction from the retailers is generally for them to discontinue supplying products which are environmentally unfavourable and to introduce environmentally friendly brands in their place. In some cases, own-label brands appear on the market. Simms (1992), on the other hand, found in his study of UK retailers³ that the general trend is to introduce environmentally friendly products mainly as a solution to environmental problems. Retailers firstly stock branded environmentally friendly products of lesser-known producers as alternatives to the standard range. Own-label versions are then introduced. These are subsequently followed by major brands. It appears that environmentally benign products are offered as alternatives to the lesser environmentally acceptable products, that promotional literature focuses on the image of greenness and on educating the

³ Simms' research focuses on consumer environmental activities and the strategies adopted by UK grocery multiples. It looks at the time scale of events and the sequence of market reactions to them, the source of influence or pressure and the green trends and developments in the retail sector.

consumer and that conservation and environmental awareness are not always stated as policy but are often regarded as included in responsible and reputable business. Variations in position and organisational attitude result in retailers being at different stages of responding to environmental issues and being more active and knowledgeable in some areas than others. Environmental issues are complex (ethical and commercial interests often conflict, e.g. labelling) resulting in retailers who are hesitant and cautious, resisting radical change (especially in entrenched distribution processes) and engaging in little real innovation (except perhaps in packaging where costs are reduced and efficiency increased).

Eden (1993) suggests that customer demand and legislation are the forces behind most changes in retailers' attitudes towards environmental responsibility. Retailers see themselves as providers of alternatives rather than dictators of consumption behaviour. She found in her research⁴ that those activities which are easy to administer and require little financial outlay (e.g. recycling banks, company culture change, production of policy statements) are the first to be adopted. In general retailers' change is perceived to be gradual and made up of a number of minor changes. Companies are cautious due to uncertainties. A long term approach is taken; environmental policy being a permanent feature within decision-making although not necessarily a priority above other considerations. Environmental responsibility appears to be reactive, developing alongside other issues such as adopting to changing consumer attitudes in general and is linked closely to the benefits it accrues rather than justified ethically. Eden (1993) asserts that the declaration of responsibility may be a defensive measure to pre-empt criticism. The moral responsibility for environmental protection felt by most retailers is either a reactive one or anticipatory in nature; movement being in the direction of foreseen change and required compliance, rather than having a hand in establishing the direction. Proactive retailers by comparison stock new

⁴ Eden's research looks at the inclusion of responsibility for the environment in retailers' ethics.

products and modify in-store operations ahead of legislative requirements or market demands. Proactivity is limited in the sense that it only applies to certain issues and product sectors and cannot be pursued indefinitely without the back-up of demand. It is generally preferred to follow the proenvironmental trend of other companies and thereby maintain competitive edge by keeping up with the field and being conservative in change while at the same time not risking out-and-out proactivity.

6.2.2 Retailers' sources of supply

Retailers realise that they will only meet environmental goals if they purchase products which meet environmental specifications. Commitment to environmental acceptability of products and processes may mean investigating alternative sources of supply if a retailer learns that a supplier does not live up to the standards required. Although the costs of research, higher material costs perhaps and temporary loss of business due to the switch of supplier, may be cited as disadvantages, the retailer who includes environmental performance criteria in its choice of business relations will keep its environmental reputation at a time when issues of environmentally acceptable activities are so prominent in consumers' minds. The retailer must be in a position to evaluate the environmental commitment and performance of suppliers and must be clear and specific about what it wants from its suppliers (Harrison, 1993).

Considering that retailers may have many suppliers, they often prioritise, i.e., identify key or strategic suppliers and concentrate their efforts on them. These suppliers are usually the suppliers who account for the bulk of purchasing and without whom the retailers business would be seriously affected. In evaluating suppliers it is important to know the significance to suppliers of environmental issues such as ozone, global warming, energy consumption and pollutants. All suppliers should generally be required to communicate the company's policy, environmental goals and objectives, environmental reports, specific information on processes, materials used, wastes and emissions,

certification to approved standards, compliance with regulations. Those suppliers who are ranked somewhat higher should be required to supply both quantitative and qualitative information on the basic environmental management systems employed in order to allow for rating against key specifications. Key or strategic suppliers should undergo full evaluations on a periodic basis.

Questionnaires appear to be the most common methods employed by retailers to collect information. There is, however, a limit to the value of information and understanding which can be obtained from questionnaires. For example, the existence of an environmental policy can be determined, but without the opportunity to elaborate on programmes and targets a full evaluation will not be possible. The standards and requirements should be clearly and simply stated, so that suppliers are aware of what improvements are necessary and are aware that if they fail to meet the requirements within a certain time period the products will be sourced elsewhere (Business in the Environment, 1993).

6.2.3 Life Cycle Assessment (LCA) of suppliers

For some retailers the environment is incorporated into the process of assessing the total quality of suppliers. LCA, as discussed in previous chapters, is both a concept and a technique for evaluating the environmental performance of suppliers. The concept is that raw materials and products are identified and considered during the whole life of the product. The technique involves examining in detail the environmental impacts of the whole of the supply chain. The cumulative impact of raw materials, processes, energy consumed, transportation, pollutants and wastes, packaging and final disposal on the environment is considered. Suppliers therefore are required to respond to detailed requests for information from retailers who are seeking to carry out a complete LCA. It is probable that when ISO 14000 gets off the ground certification will be standard and the supplier screening process will be simplified. However, detailed reviews of suppliers' environmental

performance will still be necessary (Fiskel, 1995). The following issues are likely to be covered (Fiskel, 1995):

- Suppliers' level of commitment to environmentally acceptable activities.
- The existence of an environmental management and auditing system and life-cycle environmental accounting.
- Evidence of efforts to improve resource conservation, recovery and recycling, and to eliminate ozone-depleting substances, greenhouse gases and toxics.
- Evidence of commitment to reduce energy consumption.
- Evidence of efforts to prevent pollution.
- Disclosure of information.

A study commissioned by Business in the Environment (1993)⁵ found that environmental management had by that date not yet been incorporated fully into purchasing in the UK. Methods for data collection seemed to concentrate on questionnaires and unspecific letters, with minimal feedback. Retailers were, however, increasingly addressing environmental issues and considering environmental policy in the supply chain. It was universally agreed that environmental management would increasingly become a more important issue for retailers when selecting suppliers.

6.3 The current situation in Germany

In Germany, the *Verpackungsverordnung*, and the parallel DSD scheme, have made producers and retailers more responsible for their products, by imposing an obligation throughout the supply chain to accept all returned packaging from customers and to arrange for its recycling or re-use. As a result many retailers now only purchase from those suppliers who are involved in the green

⁵ This research was carried out by BMRB International, a UK market research organisation, to investigate practice and development in the area of environmental purchasing.

dot system. It is quite possible that these stringent German packaging ordinances lie behind the initiatives of retailers to demand only environmentally acceptable products from producers and to examine the environmental soundness of the whole production process including source of raw material (Peattie, 1995 and Ottman, 1993).

Livingstone and Sparks (1994) looked at the level of awareness of the topic among a sample of UK exporters to Germany, at the perceived effect of the legislation on their business and at what companies are doing to deal with the requirements of a society where environmental issues play a prominent role. Mixed reactions to the new laws prevail among manufacturers, retailers and packaging companies. Livingstone proposes that packaging typically represents up to 40 per cent of the retail cost of personal care products, so the significance of the legislation should not be ignored. The prevailing opinion revealed by the research is that companies have to comply with the legislation in order to prevent exclusion from the German market and to continue to do business in Germany's retail sector. It is certainly in the interest of exporters not to delay in addressing the issue, as to do so may result in lost customers as retailers choose suppliers who are better prepared to deal with the new laws. Many respondents claim to have changed their marketing strategies for the German market, with more emphasis being placed on the environmental acceptability of their products. Subscription to DSD is seen as the only practical and affordable solution to the demands. Competitive advantage has been earned by those exporters who complied without delay. Frustration is felt by many, who complain about the lack of standardisation in packaging regulations across Europe. The German law is inherently German and does not cover the EU, but the sheer size and importance of the German market in Europe makes the issues vitally important.

A number of retailers in Germany have initiated the trend of sending their suppliers *Okto-Fragebogen*, environmental questionnaires, in order to determine the environmental friendliness of producers' offers. Details of all

materials used in production, the source of these materials and information on the production processes are demanded. Contents and quantities must be specified. Retailers reason that they wish to ensure the environmental friendliness of their product range. The result is a chain reaction. The major mail order firms in Germany introduced this screening process more or less simultaneously. They firstly examined their ranges according to environmental criteria and subsequently defined minimum environmental standards. This new business policy necessarily filters through to the producers. The environment has certainly become an important purchasing criterion (Deutsch, 1995).

Otto Versand, a German mail order retailer and the largest in the world, has a comprehensive and demanding questionnaire, in that they systematically examine all aspects of the product's life. Production, consumption and disposal must be in harmony with the environment. The biggest suppliers have no choice but to conform to the requirements of their most important customers. To this end *Otto* has even set up strategic alliances with some of its suppliers, in order to research ways of optimising the ecological impact of the products it offers. It also has contacts with academics and environmental pressure groups such as WWF. Hopfenbeck (1993, pp. 250-251) quotes an extract from the environmental principles of *Otto*:

We play a significant mediating role between production and the consumer, and it is our intention to use this function in the service of environmental protection.

Eco-friendliness is an important criterion in purchasing the products we offer. Our customers are reminded of this in the catalogue, because we feel that only when demand for eco-friendly products rises will manufacturers be able to respond effectively. Environmental protection should not be seen as an added extra. It is a basic purchasing principle.

It is our goal to bring about changes in manufacturers' behaviour, but also in that of our many millions of customers. Nobody can achieve this alone. Competence and authority are called for, but above all credibility.

Otto's competitor *Neckermann* formulated its own environmental directive in 1991. As part of its initiative to reduce the environmental impact of its business, the bulk of supplies sourced in Europe are transported by rail instead of road.

Quelle, yet another mail order firm in Germany, has formed partnerships with its suppliers to draw up a database of products, technologies and services based on environmental criteria.

Since 1989 *Tengelmann*, the largest German retail company taking 15 per cent of the consumer goods market with an annual turnover of approximately DM 17 billion, requests its suppliers to meet environmental specifications for packaging beyond the legislative requirements. Suppliers are sent a list of packaging criteria. It has since then introduced a range of environmental initiatives and places pressure on suppliers to improve their all round environmental performance.

In 1989, *Hertie*, another German retailer, withdrew, altered or developed approximately 2,000 products based on environmental criteria. Specifications are detailed and the chain of supply of ingredients is carefully checked. Standards are set and adhered to.

Even small retailers are insisting that their suppliers comply with environmental guidelines. Deliveries from suppliers who do not comply are often sent back. Where packaging is deemed to be wasteful, suppliers are often charged with the cost of disposing of it in as environmentally friendly a manner as possible. Such activities are becoming the norm according to Deutsch (1995).

Hopfenbeck (1993), however, points out the limitations to and difficulties of this policy:

- It may be that consumers prefer certain brands - even if they are not environmentally friendly. Can the retailer still avoid these products?
- Immediate transition to ecological products may not always be possible.
- Selectivity is necessary due to the size of the product range of most retailers. Which items are selected for environmental standards?
- Evaluation is a complex process.
- Subjectivity pertains in evaluating certain raw materials.
- Information acquisition may be difficult.

These activities of retailers have left suppliers with no other option but to comply, because as Deutsch (1995, p. 75) puts it: 'Wer seine Produktionsverfahren nicht umstellt wird künftig keine Chance mehr bekommen, mit den deutschen Großeinkäufern im Geschäft zu bleiben' (Those who do not change their production processes will not be given a chance in the future to stay in business with the big German retailers). There exists in purchasing a powerful force behind the change towards sustainable business. Only by ensuring that their products and processes are environmentally friendly to the core, is a company's existence in the German market secure. It is important therefore to recognise the environmental demands of downstream commercial partners and to co-operate with them in order to identify and solve potential problems.

6.4 Further research on retailer trends

Secondary data, in the form of retailer literature and press releases, need to be reviewed with the aim of uncovering trends and developments, sources of influence and pressure, sequence of and perspective on events which initiated the reaction of retailers. At the outset it is necessary to gather information on

each specific retailer to examine the perspective communicated and the type of activity engaged in.

However, information disclosed in annual reports and other publications is rarely standardised and it usually relates only to individual instances of good environmental behaviour, rather than retailer-wide operations and policies. The environment is usually represented in very general terms. Because secondary data is controlled and released by retailers for public consumption, it is essential to remove the top layer and determine the true situation through obtaining the concealed unconsidered response. To determine the environmental responsibility and degrees of proenvironmental change in the purchasing policy of retailers it is essential to complement published material with in-depth qualitative interviews. In-depth interviews allow depth and richness of information including personal views, unformulated data and information, answers to questions on identified attitudes and behaviour. They uncover unidentified issues and establish the level of commitment, understanding and communication of green issues which can be examined in the context of both the retail sector as a whole and individual companies (Eden, 1993 and Simms, 1992).

6.5 Conclusion

Retailer power is a real phenomenon. The trend discussed in this chapter needs further research in Germany. The literature does not tell us in detail what retailers are demanding of their suppliers, where the pressure is coming from or what they are likely to demand in the future. In Germany almost 80 per cent of the market is controlled by 10 retailers. They are in a powerful position because of their size. The preceding chapters have outlined the legislative milieu, the activities of pressure groups and the significance of environmental consumerism in Germany. It is therefore probable that these are the main sources of influence behind the retailer trend and that many of the

issues raised by these sources form the basis of retailers' demands on manufacturers.

Chapter seven: Research methodology

The aim of this chapter is to justify the choice of research methodology. A qualitative research approach was chosen over a quantitative one due mainly to the nature of the topic under review. The inappropriateness of quantitative methods is apparent. Some of the most important issues relating to qualitative research methodology are introduced.

7.1 Definition of qualitative research

Qualitative research has been defined as

‘...a direct, sensitive, and observable way of assessing...’ (Colwell, 1990, p. 14).

‘...certainly concerned with understanding of things rather than measuring them’ (Gordon and Langmaid, 1988, p. 15).

‘...an unstructured, exploratory research methodology based on small samples which provides insights and understanding of the problem setting’ (Malhotra, 1993, p. 159).

‘...experiencing the experience of others’ (Robson and Foster, 1989, p. 51).

‘...any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification’ (Strauss and Corbin, 1990, p. 52).

Perhaps the most satisfying definition is the one offered by Quinn Patton (1986, p. 187). Qualitative data consist of

detailed descriptions of situations, events, people, interactions, and observed behaviours; direct quotations from people about their experience, attitudes, beliefs and thoughts; and excerpts or entire

passages from documents, correspondence records, and case histories...the data are collected...without attempting to fit institutional activities or people's experiences into pre-determined, standardised categories such as the response choices that comprise typical questionnaires or tests.

Qualitative research is primarily used in the social sciences and is characterised by descriptive data. Statistical inference is not used to test hypotheses or to try to determine causality. The need to discover new information rather than scrutinise what is already known is the attraction of qualitative research.¹

7.2 Qualitative versus quantitative

Robson and Foster (1989) did extensive research into the development of qualitative research. They argue that as early as the 1920s it was evident that respondents in a questionnaire situation tended to respond according to what they thought was the correct and suitable answer. This led to pioneering researchers such as Hans Ziesel, Herta Hertzog, Paul Lazerfield and Ernest Dichter, who claimed that large scale surveys and statistical analysis were not necessary. Others such as Politz contested this view believing rather in experiment and statistics. The debate continues today. Some argue, that researcher and interpreter bias exist in qualitative research and reliability is low because of the size of the samples. The process is more subjective than scientific. On the other hand, answers to questionnaire-type questions often do not reflect the truth and are very shallow. Depth interviews make interpretations possible. The authors take the view that the two methods of research are complementary rather than alternative. The research question determines the method chosen.

¹ Colwell (1990) and Sykes (1990) address the issue of the origin of qualitative research - be it psychology, sociology, anthropology or psychoanalysis.

Due to over-interpretations, inadequate control of sample quotas and inaccurate interpretations of scant material, qualitative research lost face in the US shortly after its initial introduction. In the UK, however, researchers rarely deviated from the data collected and did not try to replace quantitative research altogether. Disillusionment with quantitative research added to the popularity of qualitative data. Between the 1960s and the 1970s the focus changed from a motivational orientation to a more journalistic one, whereby the researchers task is to elicit a conscious answer from the respondent and to treat the data collected as a survey. This approach is useful where experiences are likely to be willingly shared and the self-conscious is not necessarily operative. Data are accepted at face value, summarised and often expressed in quantitative terms. It does not consider feelings, emotions or the possibility of untruths. Meaning and structure are rarely evident. In the 1980s an experiential focus took over. This and the motivational approach are more appropriate when defences are operative and anxiety is caused through sharing knowledge or when new insights and deep understanding are the motivations behind the research.

Quantitative research is described by Colwell (1990, p. 16) as being 'scientific, experimentally based, reliable, valid, trustworthy, expensive, but not actually providing much in the way of understanding and guidance'. Quantitative data are impersonal and concentrate on the superficial and rational (Robson and Foster, 1989). Quantitative research is defined by Malhotra (1993, p. 159) as 'a research methodology which seeks to quantify the data and, typically, applies some form of statistical analysis'. Qualitative research is the exact opposite. Qualitative research answers the question 'why?'. It is informal, unstructured, flexible, detailed and directed, thereby ensuring explanation and understanding. Quantitative gives description, qualitative gives explanation. Calder (1977), as cited by Colwell, argues that where research lacks a formal structure and numbers it is not necessarily unscientific and vice versa. Methodology is the most important difference between quantitative and qualitative research. However, the difference is not simply multivariate

statistics versus in-depth interview, set versus open-ended questionnaire, since research goes further than methodology. Rouse and Dick (1994) and Lee (1992) compare both methods on a number of grounds:

- The conceptual assumptions of qualitative research differ from those of quantitative research, the former being concerned primarily with understanding the dynamic reality as opposed to discovering facts about fixed and measurable reality.
- Quantitative research assumes an objective view of reality. Laws, regulations and relationships between elements in a concrete structure are factual. The knowledge uncovered by systematic, comparative and replicative measurement is generalisable. Qualitative research, on the other hand, assumes subjectivity, whereby the researcher tries to understand and interpret the motives, reasons and goals which determine an individual's actions in relation to social phenomena.
- The methodology differs. In quantitative research a large quantity of numerical data are collected and put through a statistical package. In qualitative research open-ended techniques are used to gather rather unstructured, but rich, information which is then rigorously analysed and interpreted in order to highlight the important themes. This is where the controversy comes to light. Collection of data is by observation as opposed to measuring tools, analysis is by themes rather than through statistical and numerical tools and data are reported in the language of the respondent rather than through statistical analysis. Quantitative research makes use of surveys and questionnaires, statistical measures and models in order to answer questions precisely, systematically, theoretically and therefore scientifically. Qualitative researchers (phenomenologists) believe that human behaviour must be experienced firsthand to be understood and it must be considered in its totality. The causal, mechanistic, neutral, technical and measurement-oriented approach of quantitative research,

which simply reveals or discovers knowledge, is inappropriate for understanding. The researcher himself is the agent through which knowledge is perceived or experienced and his values and orientations determine which methods of research he chooses (Lee, 1992).

- With quantitative research knowledge is gathered according to analytical categories and is thus validated by methodological procedure and logic. In contrast, with qualitative research the researcher is experientially involved and the knowledge is thus validated.
- Direct, firsthand knowledge of the research setting, where sensitivity, responsiveness and adaptability can be employed, is necessary for complete understanding of the situation in qualitative research. On the other hand, the researcher in quantitative research must remain detached from the object of study.
- Quantitative research involves statistics, whereas qualitative research seeks to describe, decode, translate and come to terms with the meaning by using linguistic symbols.

Quantitative research methods based on objectivity, measurement, statistics, figures, reliability and validity, are considered to be increasingly inadequate, with the result that qualitative methods based on description and language, are becoming more and more popular as alternatives. Qualitative research techniques are increasingly perceived as necessary to capture holistic real-world answers to real-world problems in a way that is not possible in a quantitative context (Rousse and Dick, 1994). Malhotra (1993) warns, however, that the findings of qualitative research are not conclusive and should not be used to make generalisations. On the other hand, since it is not always possible to use structured and formal methods to obtain information and because respondents may be unwilling or unable to give truthful information if at all, qualitative research can be rationalised. Neither method

alone gives a total view of reality...there is a constant trade-off between the aim to be scientific on the one hand and human on the other.

Qualitative research methods are said to be most suitable for sensitive topics, complex issues, where a detailed exploration of experiences is required, where the generation of ideas or creative thinking on the part of the respondents is important to the results and where the individual's own expressions are needed (Sykes, 1990). Meanings can be probed and clarifications, developments and elaborations made due to the flexibility of the methodology. Individual interviews are particularly useful when the individual's experience or input is of greatest importance to the research, when depth of information is crucial and where rationalisations are not sufficient.

7.3 Methodology chosen

Research is perceived as an exercise in finding things out and delivering new information. Warren and Cragg (1991) point out that often a clearer analysis of the problem in the light of present information is all that is required. Qualitative research certainly has less structure and discipline than quantitative research and judgement plays a more important role. It involves the ability to link the findings with personal experience, to think clearly, comprehensively, hard and thoroughly about a problem and to advise and stimulate those who have to act on the information communicated with structure and freshness in the final report. Leavy (1994) advises that researchers should avoid premature categorisation of data, rather allow the data themselves to suggest the key themes and factors which will form the basis of the findings.

Sykes (1990) lists the following areas which need to be considered when conducting qualitative research:

- Problem definition: What problems do the research questions address?

- Approach and methodology.
- Sample selection and location: largely determined by the nature of the research.
- Skills of the researcher.
- Analysis and interpretation of data.
- Conclusions and recommendations.
- Reporting.

Robson and Hedges (1993) consider how qualitative researchers get from the beginning, the problem, to the end, the report of the conclusions. While analysis of the material collected seems to give rise to the least interest or concern, the skilful approach of an experienced researcher is fundamental to valid and reliable results, which maximises productivity. Analysis of research findings needs clear objectives. It also needs to be systematic and structured, but not mechanistic. Numbers and percentages play no role. It is a mental activity, whereby insight and skill in drawing out the meaning of a mass of information are important. Analysis is pulling the material apart, then pulling it together.

7.3.1 In-depth interview

An in-depth interview is described by Malhotra (1993, p. 169) as ‘an unstructured, direct, personal interview in which a single respondent is probed by a highly skilled interviewer to uncover underlying motivations, beliefs, attitudes, and feelings on a topic’. According to Malhotra (1993) in-depth interviews are used infrequently in marketing research, but are said to be particularly useful in certain circumstances among which interviews with professional people is cited. The biggest advantage of in-depth interviews is that they provide a forum for the free exchange of information. Difficulty in analysis and interpretation of the data is an oft cited disadvantage. Expense and time are two further elements of concern.

Marshall and Rossman (1995) discuss the different data collection methods. Under the heading of in-depth interviews the authors distinguish between four specialised forms of in-depth interviews, namely ethnographic, phenomenological, focus group and elite interviews. Ethnographic interviews relate specifically to culture and anthropological details. Phenomenological interviews focus on the formation and nature of experiences or phenomena. Focus groups interviews have typically been used in market research. An environment is set up by the interviewer which encourages discussion among specifically selected individuals on the chosen topic. Elite in-depth interviewing typifies the approach taken in this dissertation. Elite interviewees are defined (p. 83) as 'the influential, the prominent, and the well-informed people in an organisation or community and are selected for interviews on the basis of their expertise in areas relevant to the research'. The advantages of elite interviewing are apparent. However, accessibility to elites may pose a problem since elite individuals are generally working under time restraints and may not be available. Despite this drawback Marshall and Rossman (1995, p. 84) conclude that 'elites often contribute insight and meaning to the interview process because they are intelligent and quick-thinking people, at home in the realm of ideas, policies, and generalisations'.

Fontana and Frey (1994) distinguish between structured and unstructured interviewing. Structured interviewing is narrow in scope and inflexible as it relies on preestablished questions and response categories. For this reason structured interviewing is not suitable for in-depth interviews. The direction of the semi-structured or unstructured interview, i.e., the wording and sequence of the questions, is determined by the respondent's initial reply, the probes for elaboration, and the respondent's answers. The atmosphere should be one which entices the respondent to answer truthfully and naturally. Through eye contact he should be encouraged, queried and challenged. This is where the researcher's role becomes vital. He must remain neutral and give the respondent time to consider answers fully. Robson and Foster (1989) consider it important to challenge responses when they are inconsistent with previous

answers, other respondents or preconceptions. If responses are not challenged, the atmosphere remains relaxing and friendly, but information collected is not very revealing. Sensitivity and observation are required in order to avoid withdrawal or lying and to challenge the appropriate issues at the correct time.

7.3.2 Researcher qualities

Doubt has been expressed about the extent to which qualitative research really reveals depth as it claims to. Quality in research is achieved when the practitioner gains depth, insight and explanation. However, it makes more sense to talk about the attributes of the researcher than the methodology since differences in skill lead to differences in performance. Axelrod (1976) is cited by Colwell (1990, p. 22) as suggesting that 'the personality and the demeanour of the moderator can unquestionably be a key factor in the effectiveness and the validity of what comes out of the session'. Respondents' honesty and openness means validity.

A number of authors (Colwell, 1990; Malhotra 1993; Robson and Foster, 1989) suggest traits of a good researcher:

- interested
- good analytical skills
- interactive
- an ability to communicate confidently and clearly
- an ability to grasp the essentials
- a warm and friendly nature
- an ability to establish rapport
- control
- sensitive to both verbal and non-verbal cues
- a desire and an ability to probe
- intelligent
- capable of undertaking conceptual analyses from a mass of unstructured data

- strength and resilience to work under extreme pressure
- empathy
- common-sense
- aloof and objective
- neutral
- contemplating and openly receptive
- no superiority complex and an ability to put the respondent at ease
- detached and objective, yet pleasant
- an informative approach to questioning
- a non-acceptance of yes/no answers
- a good memory
- a logical, linking mind
- motivation
- tolerance and sensitivity
- good observation
- good timing
- role recognition skills
- a background in one of the behavioural sciences
- experience in interpreting data and practical experience.

The nature of qualitative research means that a number of different approaches exist. Method and depth of research vary across researchers. The results from qualitative studies are therefore highly influenced by the experience, imagination and intelligence of the researcher. Basic interviewing skills are no longer adequate. The researcher should be able to explore the respondents attitudes without influencing them and should also be able to think constructively about the problem at hand. The process of filtering, selecting and classifying the data collected in the interview is vital. Understanding predominates knowledge and facts (Warren and Gragg, 1991). Leavy (1994) postulates that researchers should have the ability to form concepts from descriptive data and to use this in conjunction with wide and varied reading to

make inductions. Good social skills and the ability to see their effect on the respondent are also helpful.

7.3.3 Data collection, analysis and interpretation

Data collection proceeds as determined by the methodology chosen; in the case of this dissertation this involves in-depth interviews. Analysis and interpretation are terms which are often used interchangeably. Together they involve the process of sorting the information collected and extracting meaning and understanding from what was said. Marshall and Rossman (1995, p. 111) describe analysis as 'the process of bringing order, structure, and meaning to the mass of collected data'. There is no one right way to analyse and interpret; depth is the only common denominator. Analysis is ambiguous, time-consuming and intensive. Sifting the data thoroughly and with detachment increases the reliability of the research and the yield of information and maintains the value of the interview. The interpretation is detailed and deep, thus reducing uncertainty and bias and leading to insight (Robson and Foster, 1989).

Indeed, the need for analysis and the method adopted will depend on the problem to be solved, the size and type of project in hand and the personal style of the researcher. Robson and Hedges (1993, p. 35) claim, however, that without some form of analysis the research project is 'in danger of being unreliable, superficial, lacking richness and with a paucity of sound judgement and creative ideas'.

Using computerised qualitative analytical tools makes the process of breaking data into meaningful text segments and reorganising them in order to gain additional meaning much easier. Over 20 computer-based tools have been identified. Without computer assistance the process is as follows:

- Material is gathered through tapes, notes, documents, etc.
- Material is transcribed and broken down into text segments.

- These segments are copied and sorted, then coded.
- Rearrangements and comparisons are made.
- All thoughts underlying the analysis are recorded.
- The material is then recontextualised into narrative.

Time and resource restrictions affect the quality of the final outcome. The biggest problem noted by qualitative researchers is the coding and analysis of responses to open-ended questions. Rouse and Dick (1994) argue that such manual methods are inefficient, may act as a deterrent and are less transparent to others. Tools can release the researcher from tedious and time-consuming tasks and enable them to spend more time on the creative side of the research. On the other hand, Malhotra (1993) claims that while microcomputers and mainframes are increasingly used to analyse and code the responses, interpretation is still the job of the researcher.

Analysis begins as soon as the data gathering starts, with later data being influenced by earlier revelations (Rouse and Dick, 1994). In order to understand and draw conclusions, the information collected must be processed, systematised and arranged. Some record of the interview is essential, whether it be purely by memory, note taking, tape recordings, transcripts or video tapes. Robson and Foster (1989) argue that taking notes is insufficient and distracting for the researcher. It is generally accepted that relying on memory alone is dangerous, since memory is prone to be erroneous, deceptive and biased (Robson and Hedges, 1993). Recording with quality equipment is advisable, so that re-listening and re-evaluating is made easier. Huberman and Miles (1994, p. 428) stress the importance of good data management, by which they mean 'the operations needed for a systematic, coherent process of data collection, storage and retrieval.'

Thorough work takes time. Off-the-record remarks, tone of voice and silences should not escape analysis. Every detail should be considered to see how it contributes to the understanding of the situation. Transcription should involve underlining, parenthesising, commenting, editing, cross referencing and should

ideally occur as soon after the interview as possible. Leavy (1994) advises researchers to cross-index the information acquired.

The next step is interpreting or thinking. The researcher's experience accumulates at every stage of the research process through thought and reflection. By listening to the data, transcribing them and making notes along the way the researcher becomes familiar with the responses and begins to form structures and frameworks. Judgements are required. Patterns and relationships within the data are sought, hypotheses are explored and understanding developed. Analysis is a continuous process. The framework within which the data are to be structured is determined by the research objectives, the responses obtained and the patterns and relationships discovered. Data are categorised and then interpreted (Robson and Foster, 1989; 1993). Much of the creativity and insight comes during the presenting, comparing, analysing and writing stages of the research. Leavy (1994) advises that it is good practice to keep a journal and write continuously. Openness and receptiveness are essential. Mulling, sifting, modifying, reorganising and reanalysing take place continuously (Robson and Foster, 1989).

Re-examining and re-evaluating the material asking who, when, what, why and how information was given leads to quality of thought. It is the quality and creativity of the thinking, the insights and judgement, rather than the frequency of data or the mechanical moving around of what was said that leads to richer, more productive results.

7.3.4 Validity and reliability

Sykes (1990) looks at the question of validity and reliability of qualitative research in great detail. She believes that the use to which the research findings are to be put determines the criteria for evaluating its validity. Marshall and Rossman (1995) review Lincoln and Guba's (1985) defence of qualitative research. They refer to the credibility, transferability, applicability,

generalisability, dependability, consistency and confirmability of the data. Generally we talk about the type, quantity, honesty and accuracy of the information, as well as how scientific and generalisable it is. As Marshall and Rossman (1995, p. 143) remark 'The strength of the qualitative study...will be its validity'.

7.3.4.1 Validity

Traditionally, there are a number of ways in which validity is expressed:

- When the responses obtained contain the expected information or when the measuring instrument is so closely related to the research problem that valid data is obvious, *apparent or face validity* is obtained.
- Absence of ambiguity and contradiction through cross-checking, filling in details and creating linkages in the data allow thorough exploration of the data, leading to *internal validity*, provided that the processes of data collection, the data themselves and the interpretation of the researcher do not lead to a complete reformulation of the data in order to make them plausible and coherent and thus internally valid.
- Comparability and compatibility of data generated by different procedures proves *instrumental or criterion validity*.
- *External validity* is present when the findings can be generalised to be applicable beyond the boundaries of the present study.
- Quantitative surveys are based on standardisation of information through controlled measures, whereas the flexible nature of qualitative research aims to reveal quality information about people's subjective experiences. It is therefore claimed that non-sampling error is lower in the latter and results are *theoretically valid*.
- Under *construct validity*, the criterion for validity is the appearance of some construct in the information obtained.
- Often the opinion of other researchers on the quality, completeness, accuracy and usefulness of the information ensures *consultative validity*.

7.3.4.2 Validity of inferences from qualitative data

Inferences made from qualitative data are generally viewed with scepticism unless combined with quantitative research. The main argument against inductive qualitative studies is that the new theories are not tested on a new set of data. The absence of rigorous experimental control is another issue for debate. In qualitative research, however, it would be misleading to claim that numerical data are non-existent, since in identifying a theory, something that happens a number of times or consistently happens in a certain way is isolated. Care must be taken when counting in qualitative research. It should be used self-consciously, at appropriate times and to ensure that unjustified numerically-based assertions are not made. The intensive nature of much of the data collection and analysis in qualitative research means that small, purposively selected samples must be used. These samples can be defined as non-probability, using systematic and reproducible selection procedures. Due to this the full range of issues may not be covered and the predominance of issues in the population of interest is not always accurately echoed. Sykes (1990) cites Overholser (1986, p. 308) as arguing that 'research...must be careful, systematic, insightful, persistent. But unlike science it need not be precise nor based on theoretical construct, nor need it be subject to proof. Its findings need only be probable not necessarily probative'. Qualitative research is justified by its unquestionable usefulness, rather than by the theoretical authenticity emanating from any existing philosophy of science. Quality of research is essential. This can be attained through the expertise of the researcher, the practical procedures and honesty in relation to the methodology used.

7.3.4.3 Reliability

Sykes (1990) also looks at reliability. Research is reliable when the results are consistent and is often thought to be a sufficient condition of validity. In qualitative research reliability is tested relating to the following questions: Would the findings be replicated using different researchers? Would the same findings be yielded if they were repeated using the same researcher and

participants in the same context? Empirical evidence is mixed as to the reliability of qualitative research. Theoretically, consistency is also impossible to prove. In both quantitative and qualitative research methods, models, theories and assumptions are the starting point. For the former, observations take place within a framework, the structure of which is fixed and constrained. Data are examined, inferences and conclusions drawn from the meaning, but interpretations depend on the orientations of the researcher. Also in qualitative research, there is a relationship between the researcher's orientations, the data-generating process and its interpretation. Sykes (1990) advises that, for reliability, the entire research process must be revealed in full detail, so that a different researcher, provided with the same data, would be able to carry out the same analysis and come to the same conclusions. However, according to Marshall and Rossman (1995, p. 146) 'Qualitative research does not pretend to be replicable'. Such research is flexible and is therefore not open to be repeated in exactly the same manner. Moreover, the real world is changing. The authors suggest that by keeping detailed notes on each decision made and by making data readily available to others, reliability can be achieved.

7.3.4.4 Alternative measures

Lincoln and Guba's (1985) work, as discussed in Marshall and Rossman (1995), searches for alternatives to the conventional constructs of internal validity, external validity, reliability and objectivity. They suggest the following:

- The *credibility* of the data means an accurate identification and description of the topic under review (internal validity), which is achieved by stating the framework and limits of the study.
- The *generalisability* and *transferability* of the findings to a similar population (external validity) may prove to be difficult for qualitative research if the study is not tied in some way to some theoretical framework.
- The *dependability* of the findings refers to changes in the phenomena or the research setting, which correspond to the

qualitative research assumption that change is inevitable and as a result replication (reliability) is difficult to show.

- The *confirmability* (objectivity) of the study ensures that the data themselves suggest implications, rather than the researcher alone making implications based on the findings. This is achieved by controlling researcher bias.

Miles and Huberman (1984) argue that through data reduction, data display and conclusion drawing and verification, systematic qualitative analysis can be both valid and reliable. Marshall and Rossman (1995) recommend a course of action based on 20 criteria to ensure that the choice of qualitative research is not questioned. The criteria are based on openness regarding the details of research methods employed and the assumptions made at the outset, the research questions and previous research on the topic, research findings, limitations, generalisability, observations and linkages to the broader setting.

7.4 Conclusion

Having discussed the opposing research methodology options it is clear that semi-structured in-depth interviews must be conducted in order to find out and understand the environmental demands placed by German retailers on manufacturers of personal care products. The most appropriate interviewees are those individuals in retailer organisations who are involved in the purchasing decision and who are the most knowledgeable and informed on the topic under review. These individuals could be referred to as the elite, to use Marshall and Rossman's (1995) terminology. Environmental considerations in the purchasing department is a relatively new phenomenon. It certainly does not date back any further than five or six years. The approach taken by retailers to ensure a certain level of environmental friendliness from suppliers varies across companies, with the result that some retailers' requirements are more detailed and stringent than others. While a certain amount of

information may be contained in the retailers' environment report, interviews are necessary to acquire more in-depth information. A structured questionnaire quantitatively analysed would be useless considering that the purpose of the study is to unveil information from those involved in the area under research, to gain understanding of why, how, where and what exactly is happening and to analyse this information with a view to discovering its implications for exporters of personal care products to the German market.

Chapter eight: Primary research

In the first instance this chapter outlines the core and secondary hypotheses which have been formed during the course of this research. An account of how the primary research was carried out follows in subsequent sections. Finally the issue of validity and reliability is once again briefly addressed.

8.1 The hypotheses

The secondary data analysis has led to the formation of a number of hypotheses. Most of these hypotheses were discussed indirectly in the preceding chapters. A summary follows below:

8.1.1 Core hypothesis

- German retailers demand a high level of environmental quality from manufacturers.

8.1.2 Secondary hypotheses

Influencing Factors:

- German legislation impacts substantially on the purchasing policy of the German retail and distributive sectors.
- German consumers' concern for environmental issues and their power to accept or reject a product influences German retailers' product range choice.
- Retailers respond to the activities of environmental pressure groups in a way which impacts on their choice of suppliers and products.

- Media reports make retailers more receptive to the increasing importance of considering environmental quality as a purchasing criterion in the supply-chain.

Determinants of Environmental Quality:

- German importers and distributors refuse to accept products from suppliers who do not comply with German regulations.
- The issues dealt with in legislation form the basis of retailers' requirements of suppliers.
- The areas targeted by environmental pressure groups are important considerations for retailers during the product selection process.
- In attempting to influence the environmental quality of suppliers' products, retailers consider the issues which are relevant in the production and promotion of natural, environmentally friendly products.
 - Retailers consider packaging details in deciding on whether to list a product.
 - Retailers pay attention to product ingredients and to the incidence of animal testing when considering a product.
 - Retailers attempt to influence the transportation of goods from the supplier to their premises.
 - Retailers specify acceptable emission levels during production.
 - Retailers require some form of certification from suppliers in the form of the EMAS, ISO 14000 or a German *Öko-Bilanz*.
 - Retailers require proof of qualification for either the EU eco-label or the German *Blauer Engel*.

Implementation:

- Retailers link up with environmental pressure groups in order to gain from their experience, knowledge and expertise which assists them in evaluating suppliers and their products.
- Retailers include assessment of suppliers' suppliers.

Other Issues:

- Retailers insist that all companies meet the highest German standards regardless of country of origin of the product.
- Retailers choose companies with the highest level of environmental quality.
- Retailer power and manufacturer compliance are determinants of success.
- There are a number of limitations and difficulties in implementing this type of purchasing policy.

8.2 Sample selection

Lists of retailers were obtained from the 1995 edition of 'Germany's Top 500', a handbook of Germany's largest corporations which is compiled by *Frankfurter Allgemeine Zeitung (FAZ) GmbH Information Services* (Frankfurt Newspaper) and from *M & M EURODATA* lists of top companies in Germany and Europe from 1994 and 1995. From these lists all retailers with an annual turnover in excess of DM 900 million were included in the population. Retailers who concentrated on the sale of personal care products were exempt from this cut-off point and were included regardless of turnover. The population identified consisted of 53 companies, some of which were subsidiaries of others.

8.3 Establishing contact

The first attempt to contact companies in early March 1996 failed miserably. The reason for this can be attributed to the fact that letters were addressed to the environment department of each company. The mistake was realised when a mere six companies had replied by the end of March. Companies were subsequently contacted by telephone with the aim of obtaining a contact name. In some cases contacts from the purchasing department were suggested, in other cases contacts from the environmental department were considered to be the most appropriate. There was no communication with the contact persons during these telephone calls. The first mailing was immediately repeated; this time addressed directly to the contact person in each company. The letter outlined the research topic, requested relevant information and suggested the possibility of an interview (see Appendix D).

One week later it was decided that the best course of action was to contact the most important companies by fax. Communication by post was proving to be too time-consuming and unreliable. The 30 largest retailers were contacted again. After much persistence 12 interviews had been set up by the end of April. The remaining companies were again contacted by fax. In the course of May eight more interviews were set up (one of which fell through at the last minute). A further nine companies expressed an interest in the study. Of these four sent information. They were prepared to take part had it not been logistically impossible to meet them at times convenient to them. Of those remaining, three referred the researcher to their parent companies, two maintained that they would not be able to contribute any relevant information, two companies refused to take part in the study and 17 did not reply. In total 19 companies were interviewed. The sample interviewed accounts for 35.8 per cent of the population.

8.4 The sample

The interviews were carried out in Germany between 24 May 1996 and 17 June 1996. *FAZ* ranks 13 of those interviewed among the top 25 retailers in Germany and 11 of the companies are listed among the top 30 retailers in Germany by *M&M EUROdata*. On the European list six of those interviewed were among the top 20 in 1994 (*M&M*). All seven members of *Handelsvereinigung für Marktwirtschaft* (Trade agreement for the market economy - HfM) were interviewed. This is a group of retailers who have agreed to work together to develop strategies and uniformly support all decisions taken on issues such as the environment, including reusable and non-reusable transport systems and influencing the legislator on certain issues. These seven companies account for approximately 54 per cent of the retail market in Germany. Members of *Markant*, a similar arrangement of over 20 companies, accounts for approximately 23 per cent of the retail market. Seven of *Markant's* members were interviewed. *Markant* is rated as the retail market leader by *M&M EUROdata*. All 19 retailers together account for approximately 82 per cent of the German retail market (1995 figures).

8.5 The interviews

Each interviewee was sent an outline of the interview agenda beforehand (see Appendix E), in the hope that relevant data would be brought to the interview and that the interviewee would not stray from the specific issue under review. Despite this at certain points during a number of interviews the focus was steered slightly off course as retailers attempted to illustrate other environmental activities of the company, which were not directly related to the topic of interest in this dissertation. Each interview lasted on average one hour. All communication was through German, which did not present any problems, although in a few instances clarifications and explanations were requested. A lot of concentration was required during each interview because

of the language and this is one of the main reasons why all the interviews were recorded.

8.6 Analysis and interpretation of data

These recordings were subsequently not transcribed directly, rather the content and emphasis were translated directly into English. The nature of the topic under review permitted this without the fear of losing valuable information. The analysis and interpretation process took the following course:

1. All published material and interview data were combined for each individual retailer.
2. Company information was studied and 25 categories of issues were identified.
3. Company data were reorganised under the main category headings.
4. Category files were opened and relevant company data were copied to these files.
5. Each company's information was rechecked to ensure that all references to a certain topic were placed in the appropriate categories. This involved some overlap of coding.
6. Data within each category were sorted according to sub-topics.
7. Multiple references to these topics by different companies were compared.
8. Similarities and contradictions of opinion and approach across companies became evident.
9. At this stage all company names were deleted so as to comply with each company's request that all references be anonymous.
10. The data were recontextualised into coherent paragraphs which forms the contents of chapter nine.

8.7 Validity and reliability

The fundamental question to be asked in relation to the validity and reliability of the research is whether the findings are accurate and objective and portrayed honestly and openly. Each semi-structured in-depth interview is unique. The orientation and pace of the interview can to some extent be influenced by the interviewer, but are determined largely by the personality of the interviewee. In some instances discussion followed the logical order of the semi-structured questionnaire, while in other cases reference to certain categories was made by the interviewee or the interviewer as was deemed appropriate at the time. In any case, the interview transcripts reveal that all topics were covered in each case and in this way *face validity* was obtained. It was of course necessary to cross-check the information given and to fill in gaps and create linkages to ensure that the data were plausible, credible and coherent, thus attaining *internal validity*. Due to the fact that market share is a critical influencing factor in the research and that the sample included most of the large retailers in Germany, it would be difficult to find a completely different sample in Germany to whom the results could apply. In this respect the results are indeed *externally valid* or generalisable to the whole population, taking into consideration that market power is one of the critical criteria of the whole research. In-depth interviews are interactive, spontaneous and flexible and are thus not replicative. This would suggest that the results are not *reliable*. It is hoped, however, that the detailed and open description of the research process is sufficient to convince the reader that the results are both valid and reliable.

Chapter nine: Analysis and interpretation - the results

9.1 The beginning

For many retailers the environment has been an important issue since the end of the 1980s. It was around 1991, however, as a result of the pressures of the *Verpackungsverordnung* (German packaging ordinance) and other legislative demands, that the first environmental initiatives were systematically undertaken by the majority of retailers in the area of purchasing.

A number of interviewees claim that there is a long tradition of environmental protection within the company. It is argued that in effect concern for health and the environment has always been there, but certainly in recent years it has become a permanent topic. Numerous benchmark dates are mentioned spanning the era from the late 1960s to the late 1980s. Certainly by the beginning of the 1990s environmental protection in general was a more concrete issue for retailers.

The larger retailers claim that suppliers have been targeted for higher environmental quality from the outset because in principle suppliers must be an important consideration in any issue relating to the product. Their involvement in environmental protection has become more pronounced and since the mid-eighties most other retailers have conscientiously targeted them. It is generally agreed by all of those interviewed that in the last few years, since the *Verpackungsverordnung* or shortly afterwards, they have been approached to a greater extent by retailers because retailers themselves are directly affected if suppliers do not adhere to the standards.

The opinion is also expressed, albeit by only one retailer, that up until the beginning of the nineties it was common practice to ask suppliers specific questions relating to product content and production methods. This tendency

has waned a great deal in the last few years because the consumer is less sensitive. This opinion is, however, contradicted by all other retailers.

9.2 The existing theory

The environmental protection models, manifestos, concepts, guidelines and principles, the policy statements and the environmental reports of many retailers categorically state their intention in the area of environmental demands on manufacturers. Many different formulations of the policy exist, ranging from very concise to quite elaborate, for example:

Umweltschutz ist wesentlicher Bestandteil der Sortimentspolitik (Environmental protection is a major part of the product range policy).

Jeder Mitarbeiter, der Gespräche mit der Industrie führt...muß über die Umweltaspekte seines Sortimentes informiert sein; die Berücksichtigung von Gesichtspunkten des Umweltschutzes bei Produkt und Verpackung ist permanenter Verhandlungspunkt bei Leistungs- und Preisgesprächen, erforderlichenfalls ist entsprechender Druck auf die Lieferanten auszuüben

(Every employee who engages in discussion with industry...must be informed about the environmental issues affecting his particular product range; consideration for environmental protection aspects is a permanent issue for negotiation during all price and conditions of trade discussions, where, according to necessity, appropriate pressure will be placed on suppliers).

Three categories of retailer exist with regard to theory formulation:

- Those who do not yet have a written policy statement but claim either not to concern themselves with environmental issues at all or to follow environmental principles which correspond to current knowledge on environmental issues.
- Those who do have a written theory on their purchasing practices and claim to make a conscious effort to offer products at affordable prices which correspond to specific ecological standards. The clear

ecological guideline for purchasing products for the range is that only those products which damage the environment as little as possible during raw material procurement, production, use and disposal are accepted.

- Those who offer exclusively environmentally benign alternatives to mass produced products.

The theory states that retailers' responsibility in terms of the product range is based on the notion that neither a product nor its use should negatively affect the environment or health. According to company principles all decisions relating to purchasing should include consideration of environmental aspects. In the choice of products the retailer can potentially exert decisive pressure on the supplier. Those suppliers who fail to meet the requirements are simply not accepted as suppliers...at least that is the theory behind it. This can be summarised in one statement: If there are two suppliers offering an identical product with comparable terms, prices and quality, but one supplier is more environmentally conscious in his business activities, then this supplier is chosen over the other.

The theory is written; the difficult part is putting it into practice. The theory is something which retailers are striving towards. One retailer insists that making in-depth demands in areas other than packaging, as the theory proposes, is extremely difficult.

9.3 The forces behind the environmental movement

9.3.1 Legislative influences

The interviewees confirmed that legislation is very powerful in Germany and 'Der Gesetzgeber ist der Kontrolleur' (the legislator controls everything). In some cases retailers' demands of suppliers are based primarily on legislation. They strive to adhere to legislative requirements; 'nicht mehr, nicht weniger' (no more, no less). They argue that otherwise their standards would differ from other retailers' standards and this could bring opposition from suppliers in the marketplace. For other retailers legislation is only one of many pressures to include environmental criteria in all decisions, but it is still regarded as one of the main influences on retailers' purchasing activities.

9.3.1.1 The most significant pieces of legislation

Legislative demands in Germany and in the EU are becoming more stringent and this is cited to be one of the reasons why the requirements set by retailers are also becoming more demanding. The German standards in particular are very tough; those in the EU are not as advanced. For progress to be made 'Die deutschen Standards müssen weltweit Geltung haben' (The German standards must be valid world-wide).

It is a basic requirement for all retailers that suppliers adhere to all legislative demands. The most influential binding legislative decrees mentioned in the interviews are:

- *Bundes-Immissionsschutzgesetz* (emissions regulation)
- *Gesetz über die Umweltverträglichkeitsprüfung* (regulation dealing with the examination of the environmental amicability of a product or process)
- *Umweltinformationsgesetz* (information on the environment regulation)

- *Gesetz über die Beförderung gefährlicher Güter* (regulation dealing with the transportation of dangerous goods)
- *Umwelthaftungsgesetz* (environmental liability regulation)
- *Chemikaliengesetz* (chemical regulation)
- *Chemikalienverbotsverordnung* (prohibited chemicals regulation)
- *Lebensmittel- und Bedarfsgegenständegesetz* (food products and consumer goods regulation)
- *Gefahrstoffverordnung* (dangerous material regulation)
- *Abfallgesetz* (waste regulation leading to the *Verpackungsverordnung*, packaging regulation)
- *Kreislaufwirtschaftsgesetz* (life-cycle management regulation; regulation dealing with the disposal of the end product and the packaging).

In Germany legislation is very advanced. According to a number of those interviewed the *Lebensmittel- und Bedarfsgegenständegesetz* is one of the toughest regulations in the world, thus ensuring that all products are of high quality. This regulation plays a significant role for personal care products. If it transpires that the requirements of this regulation are not fulfilled retailers immediately de-list the product. In the *Gefahrstoffverordnung* the legislator demands from retailers that they take measures to guarantee the safety of the consumer. This can also be considered an environmental issue, since retailers are actively searching for alternatives and this contributes to environmental protection. However, the *Verpackungsverordnung* and the *Kreislaufwirtschaftsgesetz* predominate the scene at present.

Some retailers freely admit that the only reason demands are being made on suppliers is because of the responsibility placed on them through the *Verpackungsverordnung*. Previous legislation had addressed environmental issues, but they were not given priority. The retailer is obliged to take back product packaging from consumers and is also responsible for disposing of

transport packaging (even from imports). In this way retailers are effectively forced to make certain requirements of suppliers regarding product packaging.

This piece of legislation provided the impetus for others to engage in environmental activities in the area of purchasing. Emphasis was originally on compliance with the *Verpackungsverordnung*, but these retailers quickly realised that it was necessary to be proactive (surpass legislative requirements) rather than reactive (merely comply with legislation) and to tackle the problems at source in order to survive in the future. They try to foresee issues and act on them before legislation requires them to take a specific course of action. A small number of interviewees maintain that they had introduced environmental demands in the area of packaging long before the *Verpackungsverordnung* came into existence.

The *Kreislaufwirtschaftsgesetz* came into effect in October 1996. This is a major challenge for retailers as they are henceforth liable for the fate of a product and its packaging. It apportions responsibility for a product's environmental quality on the manufacturer and the retailer or on the importing trading company. It deals primarily with the task of evaluating and reusing all product and packaging waste. This is an added responsibility which forces retailers to include extra environmental criteria in the product choice process. It is imperative that purchasers make fully informed decisions regarding which products to accept based on the environmental impact of the production process, the product's ingredients, packaging, transportation, use and disposal. Emphasis has been placed on the whole life cycle of the product and as a consequence retailers need to be involved from the design stage of the product. Issues such as resource usage and emissions can no longer be left totally up to the supplier. This implies a closer working relationship between retailers and manufacturers.

The opinion is, however, also expressed that because the legislative standards are so high in Germany, suppliers are acting in as environmentally friendly a

manner as possible anyway. Suppliers do not need to be told by retailers to reduce emissions and waste. There is no need for retailers to monitor suppliers individually. They assume that suppliers adhere to legislative requirements and they are not controlled to ensure this. There are retailers, however, who sporadically examine samples from the product range in light of legislative requirements. They maintain that it is not possible to rely on claims made and legislative standards must therefore be controlled.

The tendency in recent times is for the legislator to hold back on legislation to give industry and trade a chance to act voluntarily. The legislator firstly waits to see if the 'freie Kräfte der Wirtschaft' (free forces of the economy) will act voluntarily. If this does not materialise legislation is introduced. In light of this many retailers feel that manufacturers are acting independently of legislative requirements with regard to their production processes, packaging and transport methods and are changing their approach voluntarily. Similarly, retailers themselves are becoming more proactive.

9.3.2 Consumer influences

The *Verpackungsverordnung* and other legislative measures were not the sole influences on retailers. Studies (mentioned at intervals throughout chapter three) were indicating that the whole consumer movement was heading in this direction. Some of those interviewed maintain that this implied sensitivity to environmental issues on the part of consumers is the main reason why the environment became so important. Purchasers feel obliged to take the increasing environmental consciousness of the consumer into account when forming the product range.

9.3.2.1 The extent of environmental consciousness

The results of the discussion on consumers' environmental consciousness and behaviour can be categorised into two extremes. On the one hand, there are retailers who believe that although the environment may not represent a

priority concern for society at the moment, awareness of the issues has certainly been sharpened in recent times. Since 1991/1992 environmental consciousness and sensitivity have most certainly risen. There is no doubt but that 'Die Sensibilität des Verbrauchers ist sprunghaft eingestiegen' (the sensitivity of the consumer has risen in leaps and bounds). According to one large retailer about one third of the population could be described as being strongly influenced by the environment, another one third are environmentally conscious but only when it is convenient and the remainder are uninterested in environmental issues. It is felt that these divisions correspond to the social class structure. Those higher up the social class hierarchy represent the bulk of the environmentally conscious and active consumer, while those in society who are classified at a lower level are generally unresponsive to environmental issues. Other retailers claim that only up until recently was the environment one of the primary concerns for society. It has since dropped in importance in relation to other issues such as unemployment. It is an oscillating issue, which happens to be in a trough at the moment.

The second stream of argument revolves around the claim that there is always 10 - 12 per cent of the population who are interested in whatever it is that happens to be topical at any one time. Only this very small percentage of consumers pay attention to environmental issues or buy on the basis of ecological criteria. Experience shows that it is not an issue for the majority. Consumers simply do not want to change their shopping habits and a certain level of indifference towards the issues is apparent. From a small percentage of the population it is impossible to make inferences about the whole population.

Public opinion has been tested by a number of retailers. In one case printed material regarding the environment was made available in the stores. It was ignored. Another retailer carried out a project on 'abfallarmer Einkauf' (low waste purchasing) in conjunction with the *Umweltministerium* (Department of the environment). The consumer showed no interest at all and the campaign

was ended. Some retailers claim that environmentally friendlier alternatives have been highlighted in the past, but the consumer did not accept these products. There were notable turnover reductions as products remained on the shelf. Some customers took their business elsewhere. It is in this way, through their purchase behaviour, that the consumer determines what the retailer purchases from the supplier.

9.3.2.2 Consumer power

The interviewees stressed the fact that the consumer has the opportunity and the power to choose from an array of products on the supermarket shelf. The demand for a particular product is a decisive factor. It is only feasible to improve the environmental quality of the product range when the costs of carrying out the research, of changing the products and their production process and of testing are balanced out by consumer demand.

Retailers do not therefore have full control over the product range. The consumer ultimately decides just how environmentally friendly the product range offered by retailers is. If two companies present a product and one supplier fulfils all the requirements, the other does not, it is clear which supplier will be preferred by the retailer. Brand power steps in to influence the final purchase decision. If a particular brand is requested, it must be stocked. 'Der Kunde entscheidet letztendlich' (ultimately the consumer decides). In end effect the consumer determines how retailers react to any issue. Although consumers are becoming more environmentally conscious they do not always consider environmental aspects when making purchase decisions. For instance, retailers have attempted before to offer a line of cruelty-free personal care products, but consumers simply did not purchase them. Similarly, in 1992 *Umverpackung* was prohibited by one retailer for perfumes, a gift product. The consumer complained that the product had lost value and the excess packaging was reintroduced. When environmentally damaging goods are no longer demanded and ecologically advanced goods are preferred by consumers, the product range changes quicker than it would under new

legislation. If the market power is there, new environmentally improved alternatives will succeed.

Likewise criticism from consumers often provides the basis of retailer's power to influence suppliers. A number of interviewees pointed out that unless consumers complain about a company's environmental standards, the retailer is not in a position to make demands of suppliers. If a consumer complains about a certain ingredient, an alternative must be found. Consumer expectation determines the criteria. Weaker suppliers are of course easier to influence, but the large suppliers of well-known brand-names are a threat. It is purely through the consumer that retailers have an influence on such suppliers.

9.3.2.3 The say-do dichotomy

Those interviewed are aware that consumer claims to be environmentally conscious is verbally communicated, but this claim is only realised in practice when it involves no extra cost and no extra effort or discomfort. There is an evident contradiction between what German consumers say and what they do. In a recent study carried out by *GfK*, 80 per cent claimed that they would buy environmentally friendly products, but if consumers' shopping trolleys are examined the discrepancy between what consumers say and do is revealed. The studies which have been done are valid and reliable, but they simply do not reflect reality. It is more accurate to observe. An example from one retailer illustrates the discrepancy. This retailer decided to analyse one of the more controversial product groups - detergents and cleaning products and to eliminate all environmentally harmful brands from the range. The existing products on offer were analysed and the unacceptable ones taken out. The retailer was in a position last year to measure the success of this action for the first time. Losses of 30 - 40 per cent were noted as turnover dropped. They were very much shocked with the outcome. Although 80 per cent of consumers claim to choose environmentally friendly products over others, this was not observed in practice. The reason could be that advertising is a major influence in this product sector and familiarity with a brand-name leads to its

purchase. Price did not play a role in this instance as the more environmentally friendly alternatives were in fact less expensive. Other interviewees cite examples where ecologically-optimised products were offered in the past, and they were not purchased by consumers, although they claimed in surveys to pay attention to environmental issues when purchasing. 'Das Handeln war anders als das Reden' (Behaviour did not correspond to the attitude expressed).

9.3.2.4 The role of price, habit and convenience

Although inconsistent with the example cited above the general consensus among interviewees is that the consumer's budget plays a decisive role. Because of unemployment problems in Germany, consumers' incomes have fallen; less expensive alternatives are sought. Environmental criteria do not represent a strong selling point today if the customer has to pay even a few pence extra. Changing products to make them more environmentally acceptable must not translate into a higher price. It is often necessary for retailers to stock the product which is not always the most desirable from an environmental standpoint, but which is affordable.

Consumption habits is another contributing factor. Changing products is easier than changing habits. Consumers want an improvement in the environment, but not if it takes effort. Convenience is also a dominating factor in the consumer's purchase decision. Refillable personal care product packages have already been tested by numerous retailers with miserable results. Inconvenience, hygiene and habit were the contributory factors. Shopping for personal care products is not always a planned activity and consumers do not always have the refillable containers on hand.

9.3.2.5 The issues

Essentially the consumer decides what the important issues are. For instance:

- If it is apparent that a company is emitting harmful substances into the atmosphere, the consumer decides whether this is acceptable according to his own environmental standards.
- If a product contains ingredients which are unacceptable to the consumer, then it will remain on the shelf.
- Consumer surveys have revealed that the majority of consumers (81 per cent according to a study carried out by *GfK*) reject products which have been genetically manipulated or which contain ingredients derived from such products.
- Similarly, for product packaging, consumers have preferences.

In general it is believed those interviewed that when environmental issues are in the media consumers tend to purchase more environmentally friendly products, but once the issue dies down, consumers revert back to their normal purchase behaviour. If there is an obvious trend in the marketplace, retailers react quickly and dynamically. Retailers refrain from laying down stricter requirements for suppliers until more pronounced trends towards more environmentally conscious buying behaviour are evident. It is universally agreed that environmentally conscious purchasing behaviour will increase in the future.

9.3.3 Other influences

9.3.3.1 The media

In Germany the media constantly report on environmental issues. This applies not only to special magazines such as *Natur*, *Öko-Test* and *Stiftung Warentest*, whose readership circle is growing, but also to the general media. Since 1990/1991 the media has targeted retailers as potential contributors to environmental improvement due to their position in the market chain. Other interviewees are of the opinion that at the moment the media do not report as often on environmental issues. Certain issues became topical over the years, e.g., PET, biodegradable and recyclable packaging, *Grüner Punkt*,

formaldehyde. The market reacted. The issues were dealt with. Now these issues are addressed less frequently by the media and essentially it is only when the media focus on an issue that retailers react. For example, the BSE scare rippled through many product groups including personal care products.

The majority of those interviewed regard *Stiftung Warentest* and *Öko-Test* magazines as 'Gesprächspartner' (business partners), who have a significant amount of influence. They periodically evaluate product groups under environmental criteria (along with other criteria in the case of *Stiftung Warentest*) and publish their findings. In cases where a product receives a poor evaluation many retailers immediately take the product off the shelf and send it back to the manufacturer for inspection and an explanation. In most instances, however, the supplier can justify the use of the ingredient under suspicion or can show contradicting proof that no environmental damage occurs as a result of the production, use or disposal of the product in question. Often retailers carry out their own study with the help of external laboratories. Where their own tests correspond to the published results, the product is de-listed immediately. Most retailers co-operate with *Öko-Test*, believing that it is safer to go along with them than against them. *Stiftung Warentest* does, however, receive more attention and is perceived to be more balanced. One particular retailer places a lot of value on the evaluations of *Stiftung Warentest*. They guarantee not to stock products which do not pass the *Stiftung Warentest* examination. This policy has been in operation since 1989. Turnover losses had been experienced in the period following de-listing. In the long run it is hoped that benefits will accrue when a totally clean product range is offered. The same retailer is, however, not totally convinced of the effectiveness of the *Öko-Test* magazine. Some of the claims cannot be supported by evidence.

Opinions about consumers' reactions to reports in these two magazines varies. It is pointed out by a number of retailers that the reports dealt with in these magazines are often only of interest to a small percentage of consumers.

While these magazines may be perceived to have a small readership at present, readership is reported by other retailers to be on the increase. For this reason they do not wish to be perceived negatively by these magazines in terms of environmental issues.

The following flaws are pointed out by a number of the interviewees:

- In some cases the magazines provide false or exaggerated information. It is felt that *Öko-Test* in particular 'schießt manchmal zu sehr über das Ziel hinaus' (exaggerates from time to time).
- The results in these magazines are considered by some retailers to be biased. The editors of *Öko-Test* are the so-called greens and are very critical. Reports in other magazines such as *Stern* or *Spiegel* would contradict their results.
- It is felt that the testing procedures used by *Öko-Test* and *Stiftung Warentest* are inconsistent and also invalid. They do not have the technical testing equipment in order to test a product accurately.
- The test criteria often differ which makes comparisons difficult. The real truth about a product is difficult to come by. The criteria are often too strict. A number of interviewees agreed that toning down the criteria and the standards would increase the effectiveness of the efforts of *Öko-Test*.
- The weightings differ continuously. In some instances the environment is weighted heavily and other times not at all. Judgement and comparison are impossible. Experts from industry and trade decide on the criteria and their weightings. They have no practical experience of what is important.

A number of the more influential retailers interviewed warn that the effect of these magazines on general public opinion is not to be underestimated as product weaknesses are highlighted. They agree that initially only a small

number of consumers are influenced, but there is a ripple effect which ensures that eventually all consumers are informed by word-of-mouth. The opinion is expressed that if any product is publicised in these magazines as having a negative impact on the environment, the retailer can exert pressure and has the power to de-list that product.

9.3.3.2 Environmental organisations, consumer associations and other influences

Publications from environmental organisations are a major source of information and influence. Greenpeace, *BAUM*, other environmental organisations, government departments and the general press often publish information on relevant topics. Retailers also claim to keep a watchful eye on what appears in environmental magazines such as *Natur*, *GEO*, *Natur & Heilen*, *Natürlich*. Environmental group publications have potential to be very influential, primarily in that they mould public opinion. The *Verbraucher Verbände* (Consumer associations) are perceived to have a lot of power. The analysis and recommendations made by consumer associations indirectly affect the retailers product range choice. They often inform the public about issues through the mass media and exert an influence on consumers' purchasing behaviour. This was evident during the BSE scare in early 1996. A number of retailers pay attention to the list of products recommended by the *Deutscher Tierschutzbund*. The green party was also mentioned as having exerted much influence on the whole issue.

As the major reason for concerning themselves with environmental issues, it is stated by many of those interviewed that they wish to show a certain responsibility for the environment and they recognise that they '...haben unseren Nachkommenden gegenüber auch eine Verantwortung' (...have a responsibility towards future generations). In some cases the incentive to address environmental issues comes from the managing director, who has a personal interest in environmental issues. It has developed into a company philosophy. The rejection of personal care products containing harmful

ingredients can also sometimes be traced back to the purchaser's personal interest in the future of the environment. The personal opinion of the purchasing manager plays a major role in the orientation towards the purchase of more environmentally acceptable products.

The interviewees admit that the image benefits of engaging in environmental protection activities is a further incentive. It is argued that it is not the aim of retailers to improve the environment, rather to use their environmental activities as positive public relations: 'Es wird propagandisch ausgenutzt: Tu Gutes und sprich darüber' (It is used as propaganda: 'do good and speak about it' is a German saying). In other instances, image may not be the main incentive, but it is certainly capitalised on. The environment is increasing in importance among the general public and it is beneficial for retailers to have good PR in this respect.

9.4 Retailer reaction

9.4.1 Product range analysis

The interviewees are aware that they themselves are not experts on environmental issues or on the content and production procedure of every product. For this reason some retailers have deemed it necessary to carry out an analysis of product sectors. The analyses vary in depth of information sought and in breadth of product sectors examined.

BUND (Federation of environmental and nature protection) has been working together with one retailer since 1989 with the aim of eventually offering a completely environmentally acceptable product range. They began with garden fertiliser, one of the most controversial product sectors. *BUND* recommended that certain products be de-listed. The result was a totally clean range of products. The first year was not a major success in terms of turnover,

but the PR-effect was tremendous. It became evident to the retailer that they could obtain a competitive advantage if every product sector was treated in the same manner. Together with *BUND* they decided to try the strategy with other controversial product groups. When they tackled the detergents and cleaning products sector they did not get the expected response from consumers. Despite this, it is hoped that with time every product range will be analysed and that in the long run the products will be accepted.

In 1990 a second retailer began drawing up analyses of certain products with the help of the *Institut für angewandte Verbrauchersforschung e.V.* (Institute for applied consumer research - IFAV). In early 1996 the IFAV completed its report on the 'Analyse des Sortiments unter dem Aspekt möglichst geringer Umweltbelastung' (analysis of the personal care product range with a view to identifying those products with the least possible negative impact on the environment). All available products at the time (constituting about 90 per cent of today's range) were analysed with regard to environmental issues paying particular attention to packaging and product ingredients. The study illustrates the ideal product range for this retailer. It is not the case, however, that the retailer adheres rigidly to the results of the analysis; it is treated rather as a guideline for establishing a more environmentally acceptable product range.

Yet another company carried out a specific environmental analysis of the life cycle of each product line during 1991 and 1992. The results of the analysis are contained in a comprehensive and detailed report which has been summarised into an environmental handbook which assists this company's purchasers when deciding on which products to include in the product range. Both internal and external experts spent time gathering and analysing literature and working with researchers at universities. For each product group all the relevant environmental aspects were listed. The array of issues were explained to the purchasers. During this time the retailer carried out a survey of suppliers world-wide. Checklists of the main issues were drawn up and

suppliers were asked to what extent these issues played a role in their business, in the production of the products and to what extent alternative production methods and ingredients were available. The results of this survey were incorporated into the analysis of the product range.

Another retailer has recently started a project entitled 'das umweltorientiertes Produkt' (the environmentally oriented product). The *Kreislaufwirtschaftsgesetz* provided the incentive to tackle the issue. There are 150,000 different products in the range. The first step in the project is to tackle packaging. The second step involves considering the product itself. This is still in the start-up stage. Cultivation methods, quality, product ingredients and the economic feasibility of making changes to products will be considered. Social consequences such as unemployment will also be taken into account. It is pointed out that the process of analysing products is ongoing because new products are constantly being launched onto the market.

Another approach is where the retailer divides the product range into three categories of product: 'Umweltfreundliche Produkte' (environmentally friendly products), 'umwelt-neutrale Produkte' (those which are termed environmentally neutral, i.e., they do not have a negative effect on the environment), and 'Umweltteufel' (those which are environmentally harmful). This retailer's ultimate goal is to eliminate the third category from the product range and to give priority to the first category. This involves examining each product group separately and producing an *Öko-Checkliste* (environmental checklist) for each. This is both time-consuming and expensive and generally involves employing an external expert for each product group. Therefore only the most threatening product sectors are analysed. The main focus of the checklist is ingredients which could potentially damage the environment. The production process is also assessed.

Other smaller retailers also carry out analyses, but on a more modest scale. In certain product groups, mainly durables such as household goods and textiles,

handbooks have been drafted with the help of experts, which highlight the ecological problems for that particular product sector. The whole life-cycle of the product is considered, from raw material procurement to disposal. Numerous retailers refer to the ensuing need and their intention to carry out some product analysis in the future.

9.4.1.1 Checklists, catalogues and profiles of requirements

The studies discussed in section 9.4.1 highlight the important criteria to consider when choosing products which are supposed to be environmentally benign. The outcome of these studies are *Anforderungsprofile* (requirement profiles) for each product group which specify production processes, ingredients and packaging materials and sizes. In some cases the results of the analysis are contained in an environmental handbook which assists purchasers when deciding on which products to include in the product range. An *Oko-Checkliste* was developed in 1994 by one retailer to systematically evaluate the environmental impact of products. A comprehensive catalogue of criteria forms the basis of the evaluation process. A *Kriterienkatalog* (list of criteria) used by another retailer specifies the ideal product criteria, possible compromises and issues which lead to outright rejection. One retailer informs that they are currently working on the formation of a *Checkliste Umweltprinzipien* (checklist of environmental principles) for personal care products based on a study carried out by IFAV. A *Verpackungs-Anforderungskatalog* (list of requirements for packaging) has been drawn up by almost all retailers.

Product profiles for each own-label product are also widespread. In one case the suppliers are questioned with regard to the origin of the raw materials and production methods used, e.g., whether genetic manipulation is carried out. A more extreme case for own-label products is where an ideal product profile is drawn up and tested by a major retailer and this represents a profile of the product requirements (*Anforderungsprofil*). A copy of this profile is sent to potential suppliers who are asked to quote the price for which they would be

prepared to supply this product. A sample of the product is sent to the retailer where it is examined for compliance with the requirements of the profile. If a requirement of the *Anforderungsprofil* is not fulfilled by a particular supplier, acceptance or rejection depends on whether or not other suppliers can supply the ideal product. It has happened in the past that none of the suppliers can supply as requested. In this case they choose the product which is most likely to be accepted by consumer associations and which corresponds closest to the retailer's environmental philosophy for this product group.

The *Artikel-Paß* (product certificate) is the most recent development in the area. One retailer hopes that within two years an *Artikel-Paß* will be introduced for every product line and that this list will form the basis of all discussions with suppliers in the future. The environment is to have the same weighting as price, quantity and delivery conditions. The detail questioned in this questionnaire varies with product type. For each product line goals are set based on the economic and technical feasibility of transferring to more environmentally acceptable products and processes.

9.4.2 Packaging requirements

Every interviewee recognises packaging as a significant issue. In most cases packaging is the environmental issue which retailers concentrate on, sometimes to the exclusion of all other issues. Packaging is an issue which is universal and affects all product types.

9.4.2.1 Die Verpackungsverordnung

It has already been illustrated that the *Verpackungsverordnung* provided the impetus for retailers to address the issue. Some retailers freely admit that the *Verpackungsverordnung* is the only reason these requirements are made. However, others claim that even before the enactment of the *Verpackungsverordnung* the purchasing department had made it obligatory for suppliers to reduce transport packaging and product packaging and if possible

to avoid packaging altogether. Since the beginning of 1988 one particular retailer has employed packaging engineers within the logistics function of the company. They work together with suppliers and the packaging industry to improve and reduce packaging. In January 1990 they published an open letter in the press encouraging all their business partners to work together towards finding a solution to the packaging problem. They encouraged manufacturers to use packaging only for protection of a product, to replace environmentally dubious materials and to develop packaging collection and evaluation systems. Response has been very positive.

9.4.2.2 Catalogues of demands and discussion

As mentioned in section 9.4.1.1, since 1991 retailers have been drawing up *Verpackungs-Anforderungskataloge* for all packaging and sending these to suppliers. Apart from the usual cost, security, stability and protection considerations environmental requirements must be fulfilled also. The demands are generally based on five objectives, namely, avoid, reduce, reuse, recycle, dispose of in an environmentally acceptable manner. The packaging profile is usually quite a lengthy document; in some cases addressing up to 60 issues and reaching 15 - 20 pages in length. Those who are currently working on drawing up an *Anforderungskatalog* maintain that the task is difficult due to the necessity of including both German and EU legislative requirements, which are not always in harmony with each other. The checklists are the result of discussion with packaging experts and representatives from the purchasing, marketing and quality departments of the major retailers in Germany. In many cases they were formulated in conjunction with the *Europäisches Handels Institut* (European retail institute - EHI). The conditions are therefore standardised across retailers.

Retailers can be classified into three distinct orientations:

1. It is common for the larger retailers to advise that products whose packaging does not correspond to these requirements will be consequently eliminated from the product range. Suppliers are

generally given a certain time period within which to change to more acceptable packaging, be it to reduce it, change to one material only or discontinue use of a particular material. The suppliers' current financial situation and needs for technology changes are considered.

2. In other cases packaging issues do not form a permanent part of the discussion with suppliers, rather they are addressed in instances where it is deemed necessary. It is argued that many suppliers have become very sensitive towards packaging and consciously address the issue themselves.
3. The remaining retailers approach the topic with less engagement. The basic standards are known to each purchaser, who uses his own discretion thereafter. There are no set, written requirements. At present they sit down and discuss the issue with each supplier individually. The principles are kept very general and consist in advising suppliers on how best to incorporate the use of environmentally friendly materials and how to reduce packaging. In this way the retailer seeks to obtain maximum control.

9.4.2.3 The packaging principles

Retailers distinguish between three different types of packaging, as in the *Verpackungsverordnung*: *Verkaufsverpackung* (necessary product packaging), *Umverpackung* (excess product packaging) and *Transportverpackung* (transport packaging), which are explained in greater detail in section 2.3.1.2.

The principle of retailers' demands is expressed in numerous ways:

'So wenig wie möglich; so viel wie notwendig' (as little as possible, as much as necessary) or

'Vermeidung überflüssiger Verpackungen hat Vorrang!' (avoidance of excessive packaging is a priority) or

'weniger ist mehr' (less is better).

Retailers strive to avoid *Umverpackung* altogether. The *Verkaufsverpackung* should be kept to the minimum level necessary to protect the product, to aid the transportation of the product from the retailer to the consumer and to store the product. *Transportverpackung* is to be minimised to that level which is necessary for security and stability. Products should be loaded securely so that no extra material is necessary. However, one retailer admits that mistakes have been made in the area of transport packaging. Foil thickness around palettes was specified, but it was not strong enough to secure the products. The cost savings arising from reduced packaging were balanced out by product damage costs.

Where packaging cannot be avoided or reduced due to technical reasons, environmentally benign and recyclable materials must be used instead. Foil for transport packaging is to be reduced or replaced by more environmentally friendly materials.

- Cardboard, corrugated cardboard and paper are preferable materials.
- An important requirement is that the packaging uses as little plastic as possible. However, plastic cannot be prohibited without replacement and sometimes plastic is the most suitable form for security. In effect therefore it is not avoidance of plastic at all costs, rather the use of alternatives where it makes ecological, economical and logical sense.
- A specific requirement of one retailer is that the film is made from polyethylene.
- Packaging should be kept 'so einfach wie möglich' (as simple as possible).
- PVC (Polyvinylchloride - releases poisonous gas when burned and leaves chlorine waste behind) is to be avoided and replaced by paper or cardboard where possible or by other environmentally more friendly synthetics such as PE (Polyethylene - considered to be the most environmentally friendly alternative as it can be

reverted to its original form), PET (Polyethylenterephthalat - can be recycled) and PP (Polypropylene - can be easily disposed of or recycled).

- Styrofoam is rejected and is to be replaced by corrugated cardboard, PP or another biodegradable alternative.
- As a general rule recycled materials are to be used.
- Laminated materials are in general to be avoided or must at least be easily separated and contain recyclable materials.
- Packaging made from natural textiles or plant based raw materials are acceptable.
- Suppliers are often pressurised with regard to labelling the packaging to reveal the material used.
- Where packaging is necessary it is to be made from one material only, so that disposal is easy and to facilitate recycling. This means for example that a shampoo bottle and its lid must both be made of the one material. Some retailers are very strict on this issue insisting that no products which are packed in more than one material are stocked. Suppliers of such products are approached, requested to modify the packaging and where necessary they are de-listed. In other cases where a combination of materials is used, the requirement is that they should be easy to separate.
- Labels and print must also be environmentally acceptable. Colours are to be kept to a minimum. Synthetic adhesives which are difficult to remove are not permitted. Print containing heavy metal is to be avoided. Colours or labels must not have a negative impact on the recyclability of the material. Colours or other printing materials should not be poisonous.

9.4.2.4 Der Grüne Punkt

The objectives set by many retailers include the increased use of reusable materials. Where materials are not reusable they must be recyclable. In many cases products must therefore be labelled with the *Grüner Punkt*. This is a

prerequisite to being stocked at all - with the exception of those products whose packaging is returnable for a deposit. 'Ohne Grünen Punkt läuft gar nichts' (Without the *Grüner Punkt* there is no business). Retailers who import goods from abroad are responsible for the disposal of these products' packaging. They ensure that all imports have the *Grüner Punkt* and they pay the corresponding fee for its use.

9.4.2.5 Umverpackung, Transportverpackung and Verkaufsverpackung

The *Grüner Punkt* is not allocated to *Umverpackung* and this is the main reason why all retailers refuse *Umverpackung* wherever possible. Retailers advise that the *Verkaufsverpackung* should be developed with the aim of eliminating the need for *Umverpackung*. This has been a major problem in the personal care products area, especially with high-priced, high-quality prestige cosmetics. It is essential to differentiate between 'hochwertige Produkte' (high quality products) and 'Konsumgüter' (consumer goods). The perfume industry thrives on unusual, colourful, eye-catching packaging. Without it all products are essentially the same. Packaging is the characteristic feature of the high quality personal care products. It is obvious that the consumer wants the excessive packaging and there is nothing either industry or trade can do about it. For other everyday personal care products packaging is less important. Excess packaging has been considerably curtailed in the consumer goods sector through discontinuing the use of boxes as extra packaging on toothpastes, facial creams and the like. One retailer claims that to date all but perhaps 10 per cent of *Umverpackung* has been eliminated. The advantages of less packaging are fourfold: Lower *DSD* fees; more shelf-space; bigger deliveries possible; a higher turnover per metre squared. While all retailers request that there is no *Umverpackung*, some perceive themselves to be too insignificant in the market to force the issue further if suppliers refuse.

In transport packaging the key term is *Mehrweg* (reusable). A standardised *Mehrwegtransportsystem (MTS)* (reusable transport system) for transport packaging has been introduced. *Einweg* (non-reusable) pallets and packaging

systems are to be replaced with reusable forms such as the Euro-palette (18cm x 21cm). All palettes are to be used efficiently, i.e., space must be optimised. The packaging must, however, be stable. In 1994 one retailer sat down with 65 suppliers and discussed the changes necessary to develop a logistically and environmentally sound transport packaging system. This took four months and suppliers showed astounding willingness to adhere to the requirements. The issue is, however, not clear-cut. The decision of whether it is economically and environmentally feasible to use *Mehrweg* or *Einweg* is dependent on the product and where it is produced and marketed. For this reason some retailers insist that *Mehrweg* is not essential. At the moment a project is being undertaken by one retailer whereby the four largest suppliers are using *Mehrweg* containers to transport the products. It is already becoming evident that this means of transport packaging is also economically feasible. A system based on *Mehrweg-Transport-Behälter (MTB)* (reusable transport containers) was introduced by another retailer in 1993. 144 of its suppliers have since developed reusable containers for transporting their products to the retailer's shelves. This retailer foresees the inclusion of more suppliers in the near future.

The *Verkaufsverpackung* should be designed where possible to be a simple, reduced-material refillable container. Some retailers give priority to concentrated products in smaller packaging and refillable packaging. They claim to support attempts to sell products without packaging. Where it proves to be feasible and hygienic and where consumers accept it they continue to offer the product in such a manner. The introduction of refillable packaging for personal care products is, however, an objective for only a few of the larger retailers. Others do not predict its success claiming that it has already been tested in certain stores with miserable results.

9.4.3 Product content requirements

There exist some retailers for whom the product content is unimportant. These are mainly those who are engaged in environmental activities primarily to adhere to legislative requirements. As a result they concentrate their efforts solely on packaging. Product ingredients are regarded as the entire responsibility of the supplier. What these retailers have failed to grasp is that the *Kreislaufwirtschaftsgesetz* apportions responsibility for the environmental constitution of products in a new manner. Other larger retailers realise that they need to be involved from the design stage of the product. These retailers are already looking in detail at the ingredients and their quantity. The objective of these retailers is to examine and evaluate product contents and replace them with suitable alternatives. It is the argument of a number of retailers that in principle 'Es gibt kein umweltfreundliches Produkt - alle...sind umweltbelastend' (there is no such thing as an environmentally friendly product - all...are environmentally damaging).

9.4.3.1 The retailers' approach

In many cases it is argued that while ingredients and raw materials are important, the purchasers are not chemical experts ('Ich bin kein Chemiker'). To overcome this obstacle one retailer began searching for a partner to help them identify controversial or potentially problematic ingredients. When they began to look at the issues they had quickly learned that their employees did not possess the 'Fachwissen' (know-how) to enable them to make an informed decision. *BUND* was chosen due to the competence of its employees and its willingness to co-operate. The complete life-cycle of the product is included in the evaluation and the main focus is on the ingredients.

The interviewees responses regarding the evaluation of product ingredients can be grouped into three categories:

1. Each product in the own-label range has an *Anforderungsprofil* which specifies percentage ingredient contents permitted.

2. For all products purchasers refer to a checklist of ingredients which could potentially damage the environment.
3. All suppliers must submit a fully completed product contents declaration form. For cosmetics products suppliers are required to list the ingredients according to the INCI criteria. More specifically suppliers are required to state the source, cultivation and extraction procedures, quality, testing methods and results and the percentage content of each ingredient.

The following questions are generally included in retailers' product content evaluations:

- What raw materials are used in production?
- Are recycled materials used?
- Are synthetic ingredients used?
- Is the product made from natural ingredients?
- Is the use of raw material kept to a minimum?
- Do the product ingredients pollute the atmosphere, water or land?
- Are the ingredients naturally biodegradable?
- Are production by-products harmful?
- How is the raw material acquired?
- Are there potential health risks involved in the use of the product?
- Does the product contain harmful substances which make its disposal difficult?
- Is the product suitable for recycling?
- Does the product have a long-life?

Among the most frequently mentioned ingredients which the interviewees avoid are:

- CFCs (since the mid-eighties), halons and ammonia
- formaldehyde
- musk
- animal ingredients, e.g., collagen

- genetically manipulated products
- dangerous substances
- petroleum derived products, e.g., paraffin oil
- Preservatives
- EDTA (Ethylenediamine Tetracetic Acid)

Potentially harmful ingredients will play a very decisive role in the future. Basic product ingredients will also be restricted to the more natural alternatives as allergies become more widespread and consumers become more sensitive to product contents.

9.4.4 Transportation mode requirements

Transport and logistics are a major consideration for many of the larger retailers. For others it is a desirable focal point for environmental improvement, but certain other factors prevent them from targeting the issue. There are three main principles:

1. The mode of transportation used: Is it environmentally benign?
2. The cost of each possible mode of transportation: Which mode ensures cost optimisation?
3. The source of the product: How far the goods must be transported?

9.4.4.1 The options

The choice of transportation mode has major implications as regards CO₂ emissions. One interviewee cited the following statistics for CO₂ emissions resulting from the transportation of one tonne of goods for one kilometre via different transportation modes:

Sea-ferry	:	20 grams CO ₂
Inland-ferry	:	30 grams CO ₂
Rail	:	20 grams CO ₂
Lorry	:	120 grams CO ₂
Air	:	440 grams CO ₂

The method of delivery is, however, very difficult to influence. With respect to road transportation, long road journeys are preferably avoided. One large retailer chooses suppliers who reside within a 150 km radius of each warehouse. This contributes to energy saving and traffic alleviation. However, where purchasing and delivery are very centralised it is not always possible to avoid long road journeys. On the other hand, rail transportation is not an option for retailers who are decentralised as the goods have to be transported to and from the railway station at each centre which could prove to be time consuming and costly.

Rail transportation is theoretically the most environmentally friendly method. Transportation by rail would certainly have very positive effects on traffic congestion and emissions. However, since 1991/1992 a number of retailers have tried to switch to delivery by rail at at least some of their centres. It transpired that the German rail company was totally inflexible. Costs were also too high to be feasible. Road transportation is still relatively cheap and switching to rail would certainly cause financial tension. It was suggested that if there were Autobahn-taxes attitudes would change. It is essentially a debate between economical and ecological issues. A purchaser's task is to purchase a product at the lowest possible price. Using rail transportation would increase the price of a product substantially. Moreover, it has been calculated that to reduce road transportation by 10 per cent, German rail would have to double its capacity.

9.4.4.2 Retailers' activities

The retailers' direct influence on the transportation mode is limited where delivery of goods is the responsibility of suppliers. However, to encourage and facilitate suppliers to use rail as their predominant mode of transportation one mail order company has linked its centres by rail to the main rail lines. Retailers who purchase their products ex works are in a better position to influence the mode of transportation, although suppliers must still lend their support. Some activities on the part of retailers are worth mentioning:

- One retailer claims that after realising the effects of emissions from vehicles, reducing road transportation became the main objective. Within 6 months of deciding to switch transportation mode, 75 per cent of all deliveries were by rail.
- Another retailer has also made a conscious decision to use more environmentally acceptable modes of transportation for incoming goods, namely ship and rail haulage, in order to reduce the environmental impact caused by fuel consumption, noise pollution and emissions of CO₂, nitrogen, hydrocarbons and carbon monoxide. The goals of the transport concept have not yet been reached. A certain amount of progress has been made in the area of inland shipping, but the original goal of switching from truck to rail by 1995 was not realised due to a number of issues, among which is the fact that suppliers have not been willing to switch modes due to cost considerations.
- It is a written objective of another company to increase the usage of rail and ship for the transportation of goods. At present 81 per cent of goods are transported by these two environmentally acceptable methods.
- A pilot project is about to be launched by a mail order retailer whereby 20 suppliers will deliver primarily by rail. For small deliveries as in the personal care products sector, delivery by rail would, however, be less feasible from an environmental and a financial point of view.
- Other retailers are aiming to reduce road transportation where possible and are currently changing to rail. Suppliers who are able and willing to deliver by rail are given priority. However, the question of economic feasibility arises once again.
- With regard to imports. Sea and inland waterway transportation are the preferred modes. There are times, however, when companies incorrectly estimate demand and in such instances the product is delivered by air, the most environmentally damaging mode of all.

Costs are also very one-sided. Transporting one tonne by air is 10 times more expensive than by sea according to one interviewee. The crux of the matter is time. Air transportation is considerably faster.

A common transport principle is that suppliers load the vehicles to full capacity compactly. This space-optimisation has a positive impact on the environment and also leads to cost savings. Other issues such as noise reduction and alternative fuel are becoming more important at the moment. One retailer is testing three of its thirty lorry fleet with bio-fuel. However, it is proving to be very expensive and not as cost-efficient as normal fuel. This is the experience of another retailer also. They have tried using bio-diesel, but it did not bring the desired results. At the moment it is still being tested.

9.4.5 Requirements relating to animal testing

Most of those interviewed agree that animal testing is a relevant, but complicated, issue in the personal care products sector. At the moment the scientific stance of alternative testing methods pivots around the opinion that a total elimination of animal testing is not possible. It is suggested that perhaps the only solution is to limit testing to those products where it is absolutely necessary; to keep the number to an absolute minimum.

Opinions on the topic are split:

- Some retailers are essentially unconcerned about whether or not suppliers carry out animal testing. Animal testing plays no role at all in the selection of goods for the product range. It is felt that the issue affects too few product groups to justify the effort. Personal care products account for only a small percentage of the product range.

- Others retailers are against animal testing in principle but do not have any specific requirements. The topic has arisen during discussion with suppliers in many cases.
- A small number of retailers require all suppliers to guarantee that no animal testing is carried out on their part.

Even those interviewees who admit that animal testing is not an issue claim that if a product received bad press as a result of activities involving the controversial issue they would discontinue to stock that product for fear of being associated with the scandal. This is, however, not an environmental principle, rather a commercial one. They are merely ensuring that they do not receive bad publicity themselves. These retailers express the view that even if companies were asked whether they had any relationship with animal testing they would deny it immediately. A number of interviewees pointed out that manufacturers of well-known brands avoid discussion of the issue with the result that proving suspicions to be valid is very difficult.

Some of those who claim to be against animal testing admit that they are not powerful enough to reject products which have been tested on animals. While they would like to give preference to products which are not tested, a retailer survives through the custom of consumers and if they demand a certain product, then the retailer must offer it. The opinion is expressed that the consumer has most definitely become more sensitive to the issue of animal testing. One retailer claims that they often receive requests from consumers to de-list products which have been tested on animals. In contrast other retailers have attempted to offer a line of cruelty-free personal care products in the past, but they were not purchased by consumers.

Retailers who take an active interest in the issue refer to lists of the *Deutscher Tierschutzbund*. They are aware, however, that those products which do not display the *Deutscher Tierschutzbund* logo are not necessarily tested on animals. It may be that they do not fulfil all the criteria, e.g., that no testing

has been carried out since 1979. This is often difficult to prove, so such products are rarely de-listed by retailers.

9.4.6 Production process requirements

The suppliers' production processes, emissions and waste levels are not targeted by most retailers at the moment. It is stated by one retailer that they '...kann nur im Rahmen ihrer Funktion als Handelsunternehmen Umwelt-Verantwortung übernehmen' (...are only responsible for environmental protection in their capacity as a retailer). A number of arguments are raised:

- Environmental issues relating to production are the concern and responsibility of suppliers.
- The production processes of suppliers are not easy to control.
- German legislation lays down high standards for emission and waste levels. There is therefore no need to review the production processes of personal care product manufacturers.
- Larger suppliers are very aware of emissions, waste and use of energy and retailers rely on statements made by these companies in this regard.
- Retailers are not powerful enough to have any influence on the production process of their suppliers.

Despite these difficulties, conservative use of raw materials and consideration for other environmental factors is a constant topic for discussion with suppliers in many cases. The evaluation aspect causes most difficulty. Most retailers claim that if they were aware that a supplier's production process was more environmentally acceptable than another's, the former would of course be given priority. In one case Asian products are in general avoided, for example, because the retailer is aware that the working conditions and production processes there are often less than desirable. A further incentive is the *Kreislaufwirtschaftsgesetz*. Issues such as resource usage and emissions can no longer be left totally up to the supplier.

A few powerful retailers are proactive with regard to the production process. These retailers realise that the production process is often the major polluter. Retailers who concern themselves with the issue are not only concerned about protecting the immediate environment in Germany, but also the negative impact on the environment where the product is being produced.

- In the case of one retailer suppliers are requested to provide proof of emission levels and are questioned on all the other relevant topics also. However, they are not yet so advanced with the strategy that conditions are specified. It is a very complicated process and it will take time before the stage is reached whereby they are in a position to make specific demands. At the moment the strategy is based on motivating suppliers to consider environmental aspects. A start has been made in the textile branch. A standard called *Okotext-Standard 100* has been developed by a consolidation of testing institutes. Very specific cut-off points are laid down.
- In another case the retailer often offers to purchase a greater quantity of the product if production processes are cleaned up, so in effect it boils down to finance once again.
- For own-label product manufacture a certain environmental standard is generally expected by most retailers. One large retailer regularly visits companies to inspect the situation. An example is cited of the instance when they visited a bathroom tissue manufacturer in Italy. It transpired that a lot of water is required for production of this product. This company reused the water after it had been treated. This, for the purchaser, was representation of 'umweltbewußtsein durchaus' (complete environmental consciousness). Sparing use of resources, a concern for water and air quality, waste and emissions are positive characteristics of any company and this particular retailer gives such suppliers priority for own-label product manufacture.
- One other interviewee claims that manufacturers' plants are visited at the outset in order to ascertain the extent of environmental

friendliness of the production process, the credibility and accuracy of the claims made and the use of the most environmentally benign technologies.

- One further interviewee stated that they send suppliers questionnaires. These suppliers are questioned on the production process, on whether energy saving, water saving and material saving methods are used, on whether waste is avoided, on whether potentially harmful solvents are avoided and on how harmful emissions are avoided. The aim is to give priority to suppliers whose production processes involve little emission and low use of energy.

The basis of a production process evaluation includes:

- Little energy and water usage during production.
- No pollution of atmosphere, water or land.
- No radiation.
- Not questioned by the environment ministry.
- Not from countries where the manufacturing process or the political situation are questionable.
- Ethical and socially responsible production processes.
- No emission of harmful substances during production.
- Usage of safety precautions during production.
- Technological development progress in the production process.
- Little waste accumulation during the production process and appropriate disposal thereof.
- Genetic manipulation¹.

¹ This issue is very topical at the moment and is referred to by many of those interviewed. The debate as to whether it is acceptable or not continues as there is controversy over what exactly constitutes genetic manipulation.

9.4.7 Environmental accounting and auditing requirements

9.4.7.1 Öko-Bilanz

Öko-Bilanz (environmental balance sheets) are used to evaluate the environmental quality of products. The production method, product characteristics and choice of resources are considered from an environmental viewpoint.

Most retailers do not expect or demand an *Öko-Bilanz* from suppliers. In principle, however, many retailers expect suppliers to consciously consider the environmental consequences arising from their activities as a company. It is sufficient for one retailer at the moment that foreign suppliers verbally agree to meet their requirements giving a time period within which a total change is possible. Other interviewees revealed that they welcome *Öko-Bilanz* but maintain that it would not lead to exclusion if a supplier did not present one.

A number of retailers totally reject *Öko-Bilanz* on the grounds that they are not standardised and require much effort to control. At the moment these retailers are primarily concerned with the product and its packaging rather than with the company itself. Some retailers have expressed the expectation that in the future an *Öko-Bilanz* will be required for production of own-label products. For own-label products quality must be assured and by demanding an *Öko-Bilanz* retailers have more control over the supplier. In contrast, there are a few retailers who already expect their German suppliers to send them an *Öko-Bilanz* as proof of low emissions, energy usage and waste.

9.4.7.2 EU-Eco-audit/EMAS

The EU-Eco-audit Scheme or the Environmental Management and Auditing Scheme (EMAS) sets out how companies can implement an environmental protection management system. The audit itself gives information on the current position of the company in relation to environmental issues and standards. It contains details on emissions, environment policies, programmes

and management systems and finally on developments in the area of environmental protection. Those who follow the guidelines are awarded the logo. It is estimated by one interviewee that in 1995 between 100 and 200 German companies carried out such an audit. Another retailer believes that it will take until the year 2004 before the majority of companies will be in a position to obtain the certification.

There are a few retailers who do not hold a high opinion of the Eco-audit and they maintain that it is not probable that it will be demanded of suppliers in the future. Some retailers predict that by the year 2000 it will be meaningless. The following arguments are made:

- It is perceived to be misleading.
- There is a lack of orientation.
- It deals exclusively with the production standards, techniques and processes and is therefore uninteresting as regards the product itself. Theoretically a poisonous product could be manufactured in an environmentally friendly manner and the company would still be awarded with the certificate.
- It is voluntary and therefore pointless.
- The criteria are inconsistent, inappropriate and not strict enough.
- The standards are too low.

In a few cases a high opinion is held of the Eco-audit. It serves to highlight the weak areas of a company. A number of interviewees postulate that in time the Eco-audit will be as widespread and necessary as the ISO 9000 quality standard. One major retailer foresees that in the future they will insist on having certification from all suppliers. They advise all companies to familiarise themselves with the ISO 9000, ISO 14000 and the Eco-audit standards as quickly as possible. Another retailer maintains that when the Eco-audit reaches the stage where a large number of companies are offering it as proof of their environmental quality, it will be required from all suppliers as a basis for doing business.

9.4.8 Personal care products

The extent of potential environmental damage varies across product groups. Many of those interviewed express the view that the environment is probably not a decisive factor in the personal care products sector and this is not predicted to change within the next few years. Because of the costs involved in analysing a product group and drawing up a checklist, it is necessary to concentrate on the most threatening and critical product groups first. The personal care products sector is not considered to be one of the most threatening. Moreover, major players in this industry are already addressing most of the issues themselves. Suppliers in this product sector are perceived to be well-advanced in terms of environmental friendliness. The *Stiftung Warentest* and *Oko-Test* magazines have covered these products in great detail, so consumers are also well-informed as to which products are acceptable. However, because personal care products account for only a small percentage of the product range (4 -5 percent) some retailers maintain that it is not worth the effort trying to make specific demands on retailers with regard to environmental issues.

On the other hand, there are a few large retailers who take the environment seriously when purchasing personal care products. A number of retailers are aware of potential environmental factors and have specific lists of quality criteria for this range of products. Legislation limits and in some cases prohibits the use of certain suspicious personal care product ingredients which are mainly chemical derivations or preservatives. Animal testing is an issue which is specific to this product group. Cosmetic products are also renowned for excessive packaging. These issues have already been discussed in greater detail in other sections of this chapter.

9.4.9 The special case of own-label products

Retailers began to address the issue for own-label products about eight years ago primarily in order to be able to capitalise on an image of environmental friendliness. A principle written by one retailer sums up the attitude of most retailers with regard to the environmental quality of own-label products:

...Eigenmarken entsprechen in jeder Hinsicht dem aktuellen Standard der Umweltverträglichkeit der jeweiligen Produktgruppe. Wo dies noch nicht der Fall ist, wird dies kurzfristig realisiert
(...Our own-label products correspond in every respect to the current standard of environmental amicability of each particular product group. Where this is not yet the case, it will be so in the near future).

With their own-label products retailers are in a position to determine exactly what criteria are to be given priority. Retailers specify at the outset what environmental standards are to be reached. Sparing use of resources, a concern for water and air quality, waste and emissions are considered important. However, price is the deciding factor. These products must be the cheapest in the range. For this reason retailers cannot always insist on environmentally friendly products.

9.4.10 The minimum environmental standard

Answers to the question on the minimum environmental standard for products are very diverse. Some of those interviewed do perceive minimum standards to exist, others maintain that it is an inconceivable concept and impossible to implement. As previously indicated in some cases the legislative demands determine the minimum standard accepted. Alternatively where catalogues of requirements have been drawn up the minimum environmental quality level is the fulfilment of the requirements of these profiles. In choosing a product the purchasers are obliged to pay particular attention to these minimum requirements.

Others argue that there are too many products in the product range: A general standard for all products would not have the desired affect and creating standards for each individual product group is also unfeasible. A second common argument is that environmental quality is a moving goal, so a minimum quality level is indefinable. Moreover, aspects other than packaging, such as ingredients or the production process, are too difficult to measure, evaluate and prove. Fourthly, the minimum standard is often subjective and case specific. Every case must be considered in itself to determine whether a certain activity is serious enough to cause them to de-list the product.

9.4.11 Synonyms for environmental protection

Quality, safety, health and environmental protection appear to be synonymous in the eyes of most retailers. Measures taken to improve the environment are motivated by a desire to remain healthy. The following are two of the written statements on the issue:

Neues Einkaufsverhalten führt zu neuen Produktrends. Schlüsselbegriffe sind Gesundheit, Natürlichkeit, Komfort, Lebensfreude und im zunehmenden Maße das Umweltbewußtsein (New purchase behaviour leads to new product trends. Key phrases are health, naturalness, comfort, joie de vivre and, increasingly, environmental consciousness).

Wir...wissen, daß der Handel mit Lebensmitteln und Bedarfsgegenständen nicht von dem Anspruch auf Gesundheit und verträgliche Umwelt zu trennen ist. Wir achten darauf in Sortiment und Warenpflege. Wir bekennen uns zu unserer besonderen Verantwortung für die Gesundheit der Menschen und ihrer Umwelt. Wir lassen es daher nicht fehlen an der uns zumutbaren Kontrolle und Sorgfalt und sind auf schonenden bzw. sparsamen Umgang mit Ressourcen und Energie bedacht. Unsere Sortimente sollen dem verantwortungsbewußten Kunden eigene Entscheidungen ermöglichen (We...know that in the groceries and consumer goods business special attention must be paid to the right to health and a healthy environment. They are inseparable. We take note of this when deciding on our product range and in handling the products. We accept our responsibility for people's health and the protection of their

environment. We will therefore use our power to control and care for the product range and we support the caring and sparing use of resources and energy. We offer consumers a choice of products so that those who feel a responsibility towards the environment are satisfied).

It is an objective of a number of retailers to develop a corporate strategy taking environmental and health aspects into consideration with the aim of strengthening the company's long term competitive position. Health is a particularly important influencing factor in the personal care products sector. People are becoming more sensitive. Allergies are increasing. The hole in the ozone layer is expanding. Good natural alternatives will do good business. One purchasing manager postulated that in the future 'Gesundheit, Umwelt und Äthik werden miteinander verschmelzen' (health, environmental and ethical issues will become one).

Quality is an issue which comes up consistently during almost every interview. In evaluating the quality of a product environmental criteria are becoming increasingly important. Retailers believe that quality is environmental protection and vice versa. With quality, and therefore with environmentally sound products, retailers hope to gain a competitive advantage. In most cases the environmental department works closely with the *Qualitätssicherung* (quality control) department.

It is pointed out by a number of large retailers that environmentally friendly products are essentially non-existent. Retailers must aim therefore to offer high quality products. Products which are made from natural ingredients, organic cultivation and no animal by-products exist but this does not imply that all other products are environmentally damaging. All market brand-name products are of high quality. This reason is reiterated by another retailer who only stocks the leading brands from the top eight suppliers of personal care products in Germany. In this way they aim to protect themselves from the possibility of stocking a low quality product.

9.5 Supplier and product assessment

The organisation of retailer companies varies. In most cases representatives from the purchasing and *Qualitätssicherung* departments play the primary roles in selecting products for the range. The *Umweltbeauftragter* (environmental manager) and chemical experts often have an input into the decision also as do external experts and consultants.

Often during the initial meeting with the supplier questions relating to product content and quality, packaging and other relevant environmental issues are discussed. Discussion also takes place annually (*Jahresgespräch*). The performance of products is monitored to determine whether the criteria correspond to consumer product choice criteria. Whether a product remains on the shelf is dependent on the turnover in most cases. Others engage in detailed discussion with suppliers with the sole aim of choosing or developing and subsequently examining products under environmental criteria.

Another common trend is where the manufacturers are sent detailed questionnaires, in which they must give account of the environmental criteria of each product. In general these questionnaires deal with topics such as the ingredients, origin, cultivation and processing and the tests done, as well as any specific environmental advantages of the product or its packaging. Discussion usually follows.

Often suppliers are required by retailers to present a test certificate to show that the product is not damaging to health or the environment. The larger retailers then get the product tested by a test institute or use their own internal laboratory. However, it is argued that with so many products in the range, it is not possible to examine each products' ingredients in detail and continuously. It is also too expensive to test each product in a laboratory. A common practice among those interviewed is for samples to be taken from the delivery

batch to ensure that product quality is as promised. Products are also often selected at intervals for inspection.

A small number of the more important retailers claim that they visit manufacturers' plants in order to ascertain the extent of environmental friendliness of the production process, the credibility and accuracy of the claims made in company statements and the use of environmentally benign technologies. In particular, new suppliers of own-label products need to be thoroughly examined. In one instance the technical equipment is tested and the production procedures are examined according to the 23 elements of the ISO 9000 checklist. On the other hand, most retailers find visits to companies problematic due to the large number of suppliers. Only in exceptional cases are companies visited.

Suppliers are required by a number of retailers to send them a signed copy of the *Sicherheitsdatenblatt* (product safety data sheet), a standard certificate used European-wide which guarantees that no dangerous ingredients are contained in the product. *Öko-bilanz* (environmental accounting and auditing) are also used to evaluate the environmental quality of products. Others insist that suppliers firstly submit a fully completed product contents declaration form. Manufacturers are required to give a written consent to comply with certain environmental standards. This declaration forms the basis of the purchase agreement.

A number of retailers have introduced their own environmental awards. For example the *Umwelt-Prädikat* (seal of environmental quality) and *Umwelt-Button* (environmental badge) are granted by one retailer to products which meet stringent ecological criteria. To obtain the former a product must have several clear environmental advantages over competing products. An examination of the supplier is necessary in this case to ensure that they are not being misled by false claims and statements. The *Umwelt-Button* indicates one specific environmental property of a product which sets it apart from

competing products. The *Testsiegel* (quality seal) of another retailer is awarded to those products which undergo and pass strict internal and external examinations.

9.6 Retailer power

According to those interviewed retailers had no power in the supply chain up until 1990/1991. The structure of the market prevented them from having any negotiating powers. At this stage there are a few retailers who have developed into powerful players in the market. The power of the retailer is, however, frequently overestimated. Retailers do not have full control over the product range. As has been indicated in section 9.3.2 retailers have power over suppliers only in so far as they are supported by consumer demand.

The theory states that those suppliers who fail to meet the requirements are simply not accepted as suppliers. This applies largely to the major players in the retail field. Suppliers cannot risk being rejected by those retailers who between them have a very large market share. If a certain standard is not met and if the suggestions for change are not adhered to large retailers look elsewhere for a supplier. For this reason large retailers have no problems enforcing the requirements of their environmental criteria catalogues. Many of the own-label product manufacturers are medium-sized companies who have no choice but to meet the requirements if they wish to survive against the competitor. Retailers realise that they should take the financial situation of a small or medium-sized supplier into consideration when deciding whether or not to de-stock a product. With larger suppliers they can afford to be tougher.

Medium-sized retailers are aware that they have considerably more influence where they account for a large percentage of the demand than where they are a relatively insignificant purchaser from a large supplier. There are issues where they will not become more lenient with their requirements even if this means

rejecting a large supplier. This course of action is widespread where it is likely that other retailers will follow suit, e.g., PVC packaging is not accepted by any retailer any longer.

A significant number of those interviewed claim that they are not big enough to be able to influence suppliers or to be able to exert any pressure on them. Making demands on suppliers regarding product content, animal testing, production process or energy usage requires 'Marktmacht' (market power). Retailers whose order quantities are very small do not have the 'Marktbedeutung' (market significance) of the larger retailers. Retailer partnerships are therefore the key to the future.

9.7 Partnerships

HfM is an agreement between 7 of the largest retailers in Germany (together accounting for about 54 per cent of the market) to develop and uniformly support decisions reached on issues such as the environment and to influence the legislator with regard to new regulations, e.g., the *Kreislaufwirtschaftsgesetz*. They practically have a 'marktbeherrschende Stelle' (market dominating position). The environment requirements are discussed up to seven times per year. Certainly where a decision is reached by *HfM*, it would not be advisable for any supplier, no matter how big and powerful, to refuse to accept the conditions. There are other such groups in Germany also, albeit they are not as powerful. They are known as an *Einkaufsgesellschaft* (purchasing group) and generally consist of about 10 companies who together may decide to de-stock a certain product if requirements are not met. However, very large and influential suppliers do still have power over these groups of smaller retailers.

It is the opinion of many of those interviewed that an important prerequisite for establishing and expanding an environmentally acceptable product range is

to involve suppliers. For this reason some retailers try to foster an informal partnership relationship with suppliers. Examples of statements from retailers who have included this philosophy in their overall company policy are as follows:

Wir erweitern in partnerschaftlicher Zusammenarbeit mit unseren Lieferanten das Angebot umweltverträglicher Produkte...
(We are expanding our environmentally friendly product range by working together with our suppliers as partners...).

Umweltschutz kann nur gesamtwirtschaftlich gelöst werden, daher bemühen wir uns um ein partnerschaftliches Verhältnis zur Industrie, vor allem jedoch zu unseren Lieferanten
(Environmental protection can only be achieved through the combined effort of all marketplace participants. For this reason we strive to achieve a relationship based on partnership with industry, in particular with our suppliers).

These retailers work together with manufacturers on solving the problems identified in previous sections and support them in their transition to the manufacture of more environmentally sound products. Because of the *Kreislaufwirtschaftsgesetz* it is now imperative that purchasers make fully informed decisions regarding which products to accept based on the environmental impact of the product's ingredients and the production process used. It is logical that this can best be achieved by intense dialogue with suppliers. Communication is crucial to the success of this strategy.

One area where retailers work together with suppliers is on product modifications. One particular retailer, with the help of testing institutes, communicates the technical know-how for change to suppliers. One large retailer remains in close contact with suppliers regarding the introduction of reusable alternatives. They work together to try to reduce packaging and introduce more suitable alternatives. In the cosmetics department they have worked together with Estée Lauder to successfully introduce a reusable transport system for the delivery of quality cosmetic products.

One of the larger retailers among those interviewed works together with *BUND* to ensure the continuous analysis of the whole product range and the annual intense and in-depth examination of a chosen product group. In 1995 another large retailer signed an agreement to co-operate with *Naturschutzbund Deutschland* (German association for nature protection) to support each other in environmental activities and to carry out common environmental protection projects. They believe that working together is more productive and it increases the retailer's credibility also. Studies have shown that environmental protection societies are the preferred source of information and are perceived to be trustworthy and credible by consumers. *Naturschutzbund Deutschland* do not influence the product choice in this example.

9.8 Foreign suppliers

As a rule all suppliers are treated similarly. Retailers do not differentiate between domestic and foreign suppliers. The same requirements apply to all suppliers regardless of the country of production or ownership. The only exception is with the *Mehrweg* containers. It would be both environmentally and economically illogical to insist on this where the physical distance is an issue. One retailer put it very concisely: 'Sind die Bedingungen nicht erfüllt, gibt's keine Geschäfte' (If the conditions are not met, there is no business), regardless of the country of origin of the product. There are a number of issues which need to be considered:

- Legislation differs from country to country and environmental standards are not always up to that of Germany. Retailers who import goods from abroad are responsible for the disposal of the products' packaging. Because of this retailers must ensure that all imports have the *Grüner Punkt* and suppliers must prove that they have a contract with the *DSD*. Retailers must by law also guarantee the quality of imports. If retailers are aware that

environmental standards in the foreign country are below those in Germany retailers will be more critical in their selection process.

- Another problem with foreign-sourced goods is that it is often more difficult to obtain data relating to the production conditions and processes. In the case of imports it is often difficult to obtain the information where, for example, there are many middlemen and the source of information gets lost along the way. One retailer argues that without all the information they are not in a position to make an informed judgement on the environmental quality of the product and such products cannot therefore be accepted for inclusion in the product range. For this reason foreign suppliers are generally reviewed more intensely than domestic suppliers.
- A group of retailers have begun an *Import-Sicherungs-Initiative (ISI)* (security of imports initiative) for those who import directly. This is a concept which aims to make suppliers world-wide more environmentally aware and active. German legislation, EU norms and special requirements of the group members are translated into conditions for doing business with foreign suppliers. It ensures that environmental protection is considered world-wide and safety for the German consumer is improved.

9.9 The environment and the economy

9.9.1 Economic considerations

A basic problem in dealing with environmental protection is the tense relationship between the environment and the economy. The debate over whether it makes economical sense to pursue environmental objectives is a continuous one. It is difficult to harmonise them and even more difficult to prove the relationship between them. It is the purchaser's task to chose the

most economically secure route. One retailer's environmental report quotes Professor Meffert from the *Lebensmittelzeitung*, (Grocery Newspaper) 1991:

Die fachlich kompetente Vorselektion der Waren fällt dem Handel bei den sogenannten Öko-Produkten aufgrund der problematischen Abschätzung der tatsächlichen Umweltqualität schwer. Darüberhinaus sind die wirtschaftlichen Folgen einer ökologieorientierten Sortimentspolitik nur mit großen Schwierigkeiten prognostizierbar, weil es oft an speziellen Informationen über das Umweltbewußtsein des eigenen Kunden fehlt

(The pre-selection of environmentally benign goods is a difficult task due to the problems which arise in attempting to estimate the actual environmental quality of a product. Moreover, the economic consequences of adopting an environmental product range selection policy are not easy to predict due to a lack of information on the environmental awareness and activity of a retailer's own customers).

In effect it is the 'Verkaufbarkeit' (saleability) or the 'Kundenakzeptanz' (consumer acceptance) of the product that is important. For example, *Mehrweg* systems are accepted when it is ecologically and economically reasonable to choose them over the non-returnable alternative. If a customer purchases a product in a refillable package, he is more likely to come back. It is therefore a way of achieving customer loyalty and thus makes economic sense. On the other hand, it would be both environmentally and economically illogical to insist that suppliers use reusable transport packaging where the physical distance is an issue.

Those who are actively involved in making environmental demands on suppliers believe that while environmental demands made by them may cost money in the short run, success is inevitable in the interim and profits in the long run. One retailer's environmental protection guidelines include reference to the trend under investigation in this thesis:

Bei unseren firmeninternen Entscheidungen finden ökologische Aspekte selbst unter Inkaufnahme ökonomischer Einbußen Berücksichtigung. Dabei richten wir unser ganz besonderes Augenmerk...auf den Ersatz umweltbelastender Produkte durch weniger umweltgefährdende Erzeugnisse...

(Ecological aspects are considered in all corporate decisions, even if this means accepting inevitable economic losses. We direct our attention towards...the replacement of environmentally harmful products with less harmful alternatives...)

The interviewee expressed the hope that this strategy will strengthen their market and profit position in the long run. In the medium to long term *Ökonomie* (economy) will be synonymous with *Ökologie* (ecology).

Other retailers are afraid to engage themselves deeper in environmental issues than is required by law. They are afraid of being at a competitive disadvantage if they invest time, finance and effort into this area. However, even where the objective is to develop a corporate strategy taking environmental and health aspects into consideration with the aim of strengthening the company's long term competitive position it is not always economically feasible to carry out the objectives fully. For each product line goals must be set based on the economic and technical feasibility of transferring to more environmentally acceptable products and processes. The retailer is 'ein Handelsunternehmen und kein Umweltverband' (a commercial organisation and not an environmental protection society). It is even stated in the overall company philosophy of one retailer:

Bei der Umsetzung von Umweltmaßnahmen stellen wir sicher, daß die Wirtschaftlichkeit beibehalten wird
(In carrying out environment measures we ensure that economic issues are not overlooked).

Hierbei unterstützen wir marktwirtschaftliche Lösungen unter Berücksichtigung von Ökonomie/Ökologie
(With this we support market economy solutions with consideration for the economic/environment relationship).

It is not a case of 'Umweltschutz um jeden Preis' (environmental protection at all costs), rather a consideration of the environmental consequences of all business decisions.

There is always a trade-off between what is 'ökonomisch möglich' (economically possible) and what is 'ökologisch sinnvoll' (makes ecological sense). Protecting the environment means change and this in turn means expense. Retailers cannot risk experiencing a fall in turnover after de-listing a product. The purchasing manager is in a conflict situation. In end effect in deciding to accept any product the environment takes second place to the marketability of the product. In the first instance the purchaser must aim to make the highest possible turnover.

9.9.2 The cost of environmental protection

Environmental courses of action are still, sometimes incorrectly, assumed to be inherently uneconomical. However, low energy usage and less packaging must logically lead to lower costs. If packaging is minimised, packaging material costs are reduced for the supplier and so is the fee to *DSD*. No retailer doubts that adhering to environmental requirements in the area of packaging is economically beneficial.

The argument of many interviewees is that environmentally friendly products are generally more expensive because they are not yet mass-produced and this means that production and cultivation cost more. The elimination of environmentally harmful materials in products and the change to more environmentally acceptable production methods requires much investment on the part of suppliers. Technology, research and experience cost money. This must be recuperated in the price. Only very rarely is an increase in price accepted by the consumer. It is believed, however, that environmentally benign products are cheaper in the long run than conventional products. In order to precipitate a reduction in price one retailer guarantees to purchase a certain quantity from the supplier, thereby facilitating the supplier in increasing their production quantity and in spreading costs.

Similarly, in the area of transportation there is a debate between economical and ecological issues. Costs are very one-sided. Transporting one tonne by air is 10 times more expensive than by sea, which is also the more environmentally friendly alternative. Speed of delivery is the reason. Air transportation is considerably faster. In contrast costs of transporting by rail, also the more environmentally friendly alternative, are too high to be feasible. Road transportation is still relatively cheap and switching to rail would certainly cause financial tension.

9.10 Der Blaue Engel

The *Blauer Engel* is awarded by the *Bundesamt* for products which are 'weniger umweltschädlich' (comparably less environmentally damaging) than similar products, but it does not guarantee that products are 'umweltfreundlich' (environmentally friendly), something which some retailers argue is non-existent anyway.

The *Blauer Engel* is perceived in negative light by almost all of those interviewed. Not one retailer gives products which have been awarded with the symbol priority over those which have not. The problem lies in determining the correct criteria, measurements and examination procedures and in ensuring comparability. The arguments include:

- It is just one of many symbols, therefore it is effectively 'wenig aussagefähig' (meaningless) to consumers.
- The criteria are not strict enough and the standards are unreliable
- The processing time is exceptionally long.
- It is awarded when one specific characteristic of the product is more environmentally friendly compared with other similar products. It is often the case that the quality of the product deteriorates in order to obtain the symbol; the product as a whole is not more environmentally friendly.

9.11 The difficulties and problems

It is evident from the interviews that most retailers have a desire to stock more environmentally acceptable products. However, putting the theory of evaluating suppliers according to environmental criteria into practice is difficult due to a number of obstacles:

- The first major obstacle is internal, namely retailer employees. The strategy can only work if purchasers are fully informed, sensitive to the issues and motivated to make it work. Older employees generally resist change. Furthermore, it is often difficult to convince the product purchaser of the significance of environmental criteria. Other issues such as price are emphasised instead.
- The second major problem source is the supplier. When purchasers include environmental criteria in the purchase decision, the *Umweltbeauftragter* (environmental manager) must often explain to the supplier why such standards are being sought after. The individuality of suppliers in the form of attitude, mentality and priority differences is a major obstacle. Often suppliers resist change. The issue must therefore be presented in terms of the costs and benefits of adhering to certain specifications. Suppliers also argue that all retailers are not demanding the same conditions. What one particular retailer wants, is not wanted by all German retailers; what all German retailers want, is not required in Europe.
- Powerful brands are the next major obstacle. If consumer demand for a particular brand is large enough, that brand must be stocked. Retailers have stocked environmentally benign products in the past. They remained on the shelves. Habits are difficult to change. The consumer will purchase environmentally friendly alternatives if it involves no extra output of money or effort. The third obstacle to change is therefore overcome by convincing the consumer that this is the most responsible course of action

and explaining why. Otherwise the risk of non-acceptance of the changed product or packaging is quite high.

- Legislation differs from country to country and environmental standards are not always up to that of Germany. EU legislation only deals with the critical issues and countries such as Germany, Sweden and Denmark are way ahead. Drawing up an *Anforderungskatalog* is a difficult task due to the necessity of including both German and EU legislative requirements, which are not always in harmony with each other. In addition varying conditions in each source country make it difficult to set environmental standards for suppliers.
- A minimum environmental standard for each product is inconceivable and a general standard is also unreasonable because product groups are so diverse, have differing influences on the environment and because environmental standards are continuously upgraded.
- The issue of ingredients and raw materials is a complex and problematic one. To be in a position to judge a product a background in chemistry or toxicology is necessary. Purchasers admit 'Ich bin kein Chemiker. Ich bin Kaufmann im Haus' (I am not a chemical expert. I am a businessman for this company). They do not possess the knowledge to be able to evaluate all the ingredients. One retailer argues that in order to make specific requirements and conditions, they would need to gain understanding of all the relevant cosmetic, medical and chemical laws and terminology. This goes beyond their capacity as a retailer; it is not their 'Fachgebiet' (area of expertise).
- The power of retailers to influence the environmental quality of suppliers and their products is challenged by the fact that evaluation is so difficult. With so many products in the range, it would not be possible to examine each products' ingredients in detail and continuously or to visit each

supplier to review the production process in practice. Another difficulty with demanding a certain ecological quality from suppliers lies in the fact that they too have suppliers further upstream in the supply chain. All links in the production chain must conform to the environmental standards in order to guarantee the environmental quality of the end product. There is a 'Schneeballeffekt' (snowball-effect). In addition to this it is necessary to sporadically visit the production plants to verify the accuracy of information communicated by suppliers of the product. This is both time-consuming and expensive and generally involves employing an external expert for each product group. Because of these obstacles most retailers concentrate their efforts on the most threatening and critical product groups.

- Precise knowledge of the production technology, facts about the production plant and its location are important criteria in analysing products. However, objective evaluation and comparison are difficult since not all criteria can be expressed in absolute terms. Suppliers are often not prepared to divulge the relevant information. Exact details are also difficult to obtain. In the case of imports it is often more difficult to obtain the data relating to the production conditions and processes. Without this information retailers are not in a position to make an informed judgement on the environmental quality of the product.
- When choosing a product for the product range it may appear to meet all the requirements. No indications exist that the product may in some way be threatening to the environment or to health. Factors can easily be overlooked. New research and up-to-date information is continuously published. The difficulty is in thinking of every possible potentially problematic issue. Every product is different, a fact which complicates the matter even further.
- The elimination of environmentally harmful materials in products and the change to more environmentally acceptable production methods requires

much investment on the part of suppliers. One of the problems faced is the time period needed to change technologies.

Chapter ten: Summary and conclusions

The purchasing policy of German retailers has most certainly been affected by environmental issues in recent years. Environmental activities were quite widespread during the late eighties, but it's only since around 1991 that retailers are addressing the topic more systematically. The theory exists. Reference to the trend being researched is clearly stated in retailers' principles or guidelines. The difficult part appears to be putting it into practice. Much of what was revealed in the interviews supports the hypotheses made from the literature review. However, many issues are perceived in different light by various retailers and different approaches are quite widespread. Figure 10.1 on the following page serves to illustrate the important issues as revealed by this research.

10.1 The influencing factors

Legislation, studies on consumer attitudes, environmental pressure groups and the media, a personal interest on the part of the managing director or the purchasing manager are the most significant influencing factors.

Legislation is very commanding in Germany and more advanced compared to most other EU countries. Recent legislation in Germany apportions responsibility on the retailer to dispose of packaging waste and used products. As a result the environmental impact of the product and its packaging need to be considered by retailers before accepting a product for the product range. This implies that retailers should pay attention to product ingredients, the production process, transportation, use and disposal of the product. On the other hand, it is argued that tough legislation already determines water, air and land quality, emission levels and waste, and there is therefore no need for retailers to lay down specific standards for suppliers. There are retailers whose

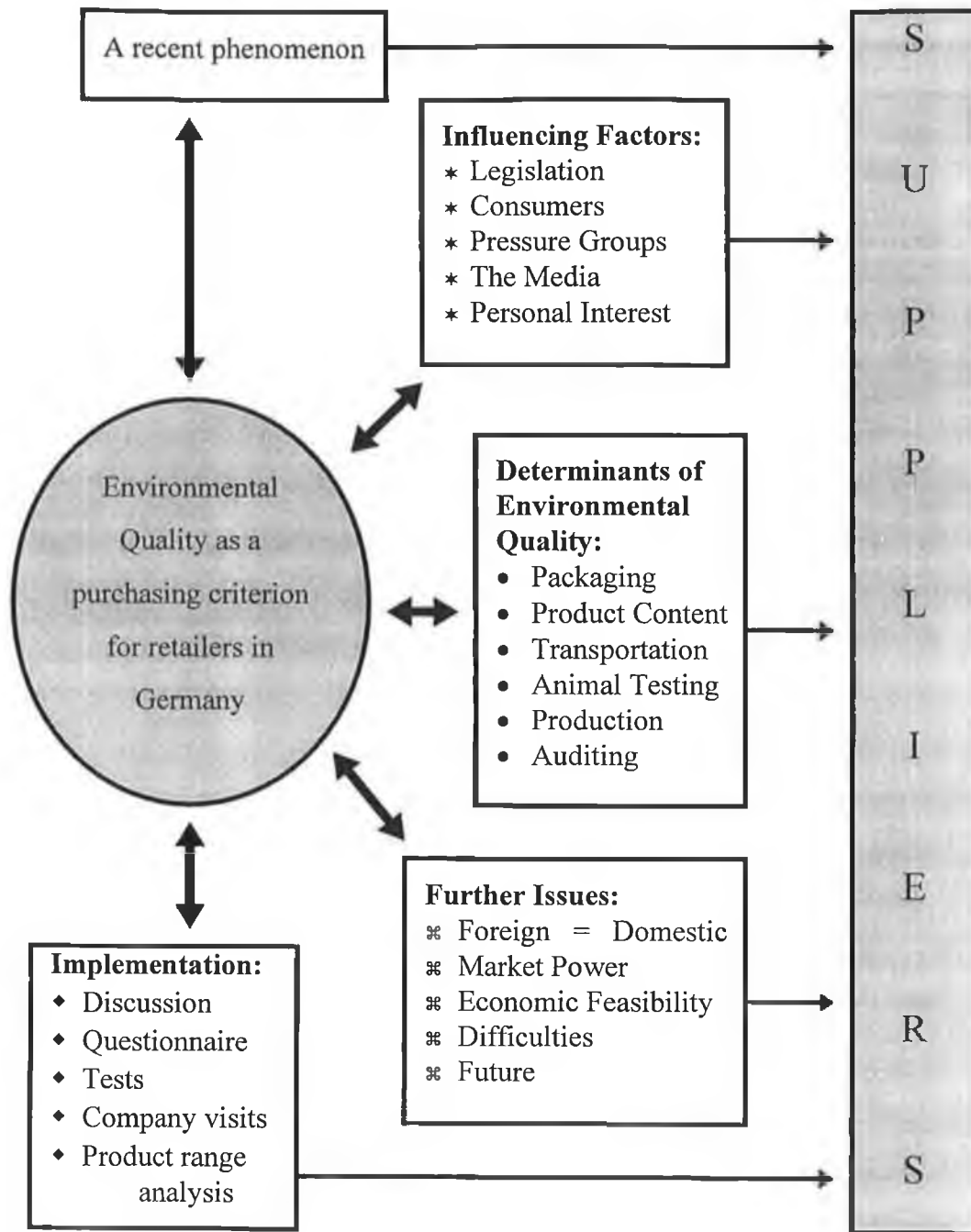


Figure 10.1: German retailers' purchasing policy: the environmental aspect

requirements of suppliers are based purely on legislative standards, but for others legislation is only one of many environmental influences on their purchasing policy. It is predicted that in the future legislative requirements will certainly become more stringent, both at national and EU levels. Certainly if voluntary measures are not taken, the requirements will be enforced through 'ordnungspolitische Maßnahmen' (legislative measures).

Around the same time that legislation was becoming more stringent, studies were revealing that the consumer movement was heading in that direction also. Consumers' environmental consciousness and sensitivity appeared to be rising. In many cross-national studies Germany features at the top of the pile as regards concern for the environment. Product specific studies have also been carried out, but results are so contradicting that it is difficult to know what reflects reality. At this stage most retailers maintain that the studies refer to only a small percentage of the population. Many retailers have offered more environmentally benign alternatives and observed that consumers do not prioritise environmental issues during purchase, despite what the numerous studies might claim. The discrepancy between what consumers state and their actual behaviour can be explained by the roles of price, habit and convenience. The majority of consumers will not choose the more environmentally friendly alternative if it costs them time, effort or more money. The development of the market is difficult to predict. Environmental consciousness is only worthwhile when it is translated into environmentally conscious purchasing behaviour. This is predicted to increase in the future. All product groups will be affected. The ultimate influence on retailers and suppliers will come 'aus der Überzeugung des Menschen' (from the conviction of the consumer).

The media are also perceived to be very influential. There are numerous magazines which deal with environmental issues. *Stiftung Warentest* and *Öko-Test* are by far the most important. As the names imply they evaluate products according to various criteria including environmental issues and make recommendations based on product safety and quality. They are believed to

have a large impact on public opinion and are therefore heeded by most retailers. Relative to other countries there are also a large number of environmental organisations and consumer associations in Germany and they are regarded as powerful sources of pressure on industry, trade and society to become more environmentally conscious.

10.2 Determinants of environmental quality

A number of retailers have carried out analyses of products under environmental criteria with the aim of highlighting the environmental problems for each product group and to determine the environmental quality of the product ingredients and the production procedure. These analyses vary from being very extensive to being quite modest in terms of the depth of information obtained. In some cases retailers concentrate on specific product sectors. The results are subsequently incorporated into the purchasing policy. A variety of requirement profiles and checklists have been drawn up by many retailers to assist purchasers in evaluating products and to inform suppliers of the expectations with regard to the environment.

Packaging is the most widely recognised environmental issue by retailers. In most cases a catalogue of packaging requirements has been drawn up, the basis of which are the principles of avoiding, reducing and reusing. Packaging materials are also controlled and all except one retailer demand that packaging displays the *Grüner Punkt*. Reusable transport packaging systems have been developed. The packaging requirements could almost be regarded as prerequisites for doing business with the German retailers. In the future packaging will certainly become a more important consideration in the personal care products area. A lot of progress has already been made, however. Success of the refillable packages is not predicted. It has already been tested in certain stores with miserable results. Similarly, no changes will

occur in the high quality prestige products industry since packaging is the characteristic feature of these products.

Product ingredients is also regarded by most retailers to be an environmental consideration. This sentiment has become more widespread due to the advent of the *Kreislaufwirtschaftsgesetz*. However, a number of retailers state the fact that they do not possess the chemical knowledge to evaluate product ingredients in detail and accurately. In those cases where a review of the product ingredients is carried out the quality control department plays the major role and often external experts and laboratories must be employed. An interesting recurrence during many of the interviews is the link made between the environment and quality, health, safety and even ethics. They are regarded by many interviewees as being synonymous. Product ingredients are becoming more and more topical. Health, skin sensitivity and allergies are playing major roles. There are a few retailers who believe that basic product ingredients will eventually be restricted to the more natural alternatives. One retailer postulates that in the future manufacturers will only purchase where a guarantee is given that the raw material source, e.g. an oil plantation, is built up again using organic methods.

The issue of product transportation is a little more complicated because cost, flexibility and time play such a huge role. Despite the obstacles some retailers have set goals for changing over to the more environmentally acceptable methods, but for the majority insisting that suppliers make the switch from air to ship or from road to rail is simply not economically feasible. Transport is, however, playing an increasingly stronger role. Certainly the issue will grow in importance as more and more issues are consciously considered. However, it will be very difficult to optimise the system. Some express the opinion that rail transportation will probably not develop much further due to the difficulties which it presents. Others claim that whether or not road transportation will still be the most dominant mode of transportation in the

future is dependent on the infrastructure of the country. A better solution would perhaps be to invest in emission-free vehicles.

Animal testing is also a complicated issue since by law suppliers are obliged to test personal care products before launching them on the market and the effectiveness of alternatives has not yet been scientifically proven. Retailers' reactions are therefore split - as expected. Some refuse to accept products which have been tested on animals while for others it plays no role in the selection process of goods for the product range. Animal testing will grow in importance in the future as society begins to speak out against cruel testing methods. If this does not come about through voluntary measures, it will be regulated by the government.

In most cases retailers do not try to influence suppliers' production processes. This finding was unexpected as the literature review suggested that this practice is more widespread. One argument of retailers is that legislation is already quite tough in this respect. Retailers also maintain that issues such as emissions, waste and energy usage are the responsibility of the supplier and in addition these factors are very difficult for retailers to evaluate and control. However, for some own-label product manufacturers certain standards must be met and in these cases proof of emission levels and energy usage must often be provided. The largest retailers are convinced that in the future they will insist on having certification from suppliers. In particular, the EU-Eco-audit and the ISO 14000, along with the ISO 9000 quality standard, will be highly valued. These certificates deal primarily with production processes. The ISO 9000 will define the trend for the next few years. Many of those interviewed express the opinion that waste avoidance, energy usage, use of resources and raw materials will play very decisive roles in the future. Cultivation methods will also be an issue. Future development is predicted in the area of genetic manipulation.

10.3 Implementation of the policy

Retailers use a multitude of approaches to evaluate and assess suppliers and their products. Discussion is the most common. Environmental issues are usually incorporated into annual discussions with suppliers. In a few exceptional cases retailers meet with suppliers with the sole purpose of addressing environmental issues. Questionnaires are a second and often a complimentary approach. Information regarding the environmental quality of the product ingredients and the company as a whole is requested. The multitude of products in the range prohibits retailers from carrying out laboratory tests on all products. Often samples are selected at random and tested and in other cases suppliers must provide evidence that the product was tested for environmental quality by a recognised testing institute. Otherwise only products which are suspected of being environmentally harmful are examined in more detail. Company visits are also not very widespread due to the cost and impracticality of visiting all suppliers.

10.4 Market Power

The severity of the criteria used to evaluate suppliers and the areas of concentration are closely linked to the retailer's market share. The secondary research suggested that the largest retailers have the power to set the trend while smaller retailers generally have no significance in the marketplace in this regard. All retailers agree that suppliers, regardless of their relative size in the marketplace, cannot afford to be de-listed by the major retailers in Germany, seven of which have formed a type of alliance and together account for 54 per cent of the market. The important point to remember is that ultimately the consumer decides just how environmentally friendly the product range is. Only if consumers accept a product does it become a market success and it is purely through consumers that retailers have power to influence suppliers. Those products which are demanded in the marketplace must be

supplied and the retailer has a unique position in the supply chain as mediator between consumers and manufacturers.

There are efforts being made at present to make the EU-Eco-audit applicable to retailers. If this succeeds retailers will have a greater opportunity to influence their stock of products; it will become a necessity if the certification is to be awarded. 'Da steckt eine echte Möglichkeit drin' (There is a real possibility in that). Retailers will be forced to consider the environmental friendliness of the product range and this will require making certain demands of suppliers regarding the product, its production, content, packaging, use and disposal. Market power may not be as significant a factor then.

The co-operation of the supplier is a necessary contribution to the success of a retailer's purchasing policy. For this reason retailers try to work with suppliers to find alternatives which are acceptable to both sides. Also an affiliation with an environmental organisation is considered to be advantageous as they are regarded by consumers to be the most credible source of information regarding environmental issues. The future success of retailers' environmental strategy is dependent on the relationship between trade and industry. Retailers need to be in a position to influence product characteristics and hence confront the issues. Partnerships are imperative.

10.5 The question of economic feasibility

The debate over whether it makes economical sense for the retailer to demand certain environmental standards or for the suppliers to adhere to the requirements is a continuous one. It is very difficult to prove the relationship between the environment and the economical feasibility of carrying out some activity. Suppliers manufacture environmentally friendly products where they believe that consumer demand will cover the costs of change and for most retailers environmentally friendly alternatives are stocked where they perceive it to make economical and logical sense. It is not a case of environmental

protection at any cost. After all retailers are first and foremost commercial organisations who must compete in a free market economy. However, those retailers who are already making demands of suppliers are convinced that profits are inevitable in the long run. Certainly the economic feasibility of making changes to products is a major influence on the future development of the environmental issue. Those interviewed warn that water will become so expensive in the future that if suppliers do not take it into consideration, products will become too expensive. All environmentally harmful activities will be made more expensive.

10.6 The obstacles

There are a number of obstacles which stand in the way of a smooth implementation of the purchasing policy. The first challenge is convincing the purchasers that this is the most profitable approach to take. Suppliers' resistance is the second major hurdle. Change is naturally resisted unless the supplier can foresee the economic benefits. Consumer demand for powerful, yet environmentally unacceptable, brands is a third problem. A general environmental standard for products is inconceivable due to the different environmental impact of each product group and the dynamic nature of the issue. Furthermore, the cross-national legislative differences mean that multinational suppliers are faced with different standards world-wide and may aim to reach the lowest standard resisting higher demands in the more advanced countries. A lack of expertise on the part of the retailers is a further problem during the product and process evaluation stages and evaluating each supplier in depth is simply not practical in most cases. Suppliers often have reservations about disclosing details and in the case of foreign suppliers information often gets lost along the channel.

10.7 The future

The environmental issue is a topic which is constantly changing. The future is therefore difficult to predict. Most retailers postulate that standards will be sharpened. New product development (NPD) is rampant at the moment. NPD results from and often results in new standards of environmental quality. The rate at which retailers' demands become more specific and stringent is largely dependent on the rate of NPD. The process is ongoing. Over a period of 10 years the product range changes by more than 50 per cent. In the personal care products sector new products appear every three or four months. Environmental requirements must be revised continuously. 'Diese Aufgabe kann nicht fertig sein' (this task will never be finished).

There is no doubt in any retailer's mind that environmental issues will become more prominent in the future and that they will play an increasingly more important role in the product selection process. Because new knowledge and evidence are constantly being published, environmental standards are always changing. Legislation will become more stringent. More environmentally conscious purchasing behaviour is also predicted. As health increases in importance product ingredients will become more of an issue for consumers and more natural personal care products will be sought. Society will also speak out against animal testing. Emissions, energy usage, waste, raw materials usage and recycling will play very decisive roles in the future. Cultivation methods will be an issue. Quality will play a role. The *Kreislaufwirtschaftsgesetz* forces retailers to be more demanding of suppliers with regard to the environmental constitution of products. The first step is for retailers to become aware that they have a responsibility towards the environment. Retailers who have no requirements today will certainly change this in the future. They will eventually be forced to. In this respect all retailers will benefit from the creativity of those who are already active in this area and from the support they are giving to suppliers.

10.8 Implications for suppliers

Retailer-specific environmental requirements is a real phenomenon in Germany and is predicted to become more prominent in the relatively near future. It appears that retailers are not so much interested in offering a line of environmentally friendly products along with the conventional brands, as they are in modifying the whole product range with regard to the environmental acceptability of each product, its production and the producer. Based on the information obtained through this research it would not be advisable for a supplier to launch and market an environmentally benign line of products, while still continuing with the production of environmentally unacceptable brands, with no intention of converting to sustainable business in the future. What retailers will demand is that each product supplied be produced with the environmental consequences of the process in mind, that the suppliers be committed to reducing emissions, energy usage and waste and that they are conscientious regarding all other potentially environmentally harmful activities.

Exporters to Germany are not exempt from any of the legislative or retailer-specific requirements except the reusable transport system which is impractical for long distances. They are often evaluated more thoroughly as retailers are aware that standards in Germany are generally higher than those in other countries.

The German market for personal care products accounts for a quarter of the total EU market and literature suggests that the development of natural and cruelty-free products is a new and growing market segment. The extent of potential environmental damage varies across product groups and the personal care product sector is not perceived by retailers to be among the most threatening. There are a few retailers who limit their efforts to the most environmentally harmful product sectors, because of time and cost restrictions. But having said this most retailers recognise the environmental factors relating

to personal care products and some retailers have drawn up lists of criteria which are specific to this particular product sector. It is pointed out that high quality, high priced, prestige cosmetics and perfumes cannot be grouped together with everyday personal care products such as shampoos and shower gels since they are viewed as gift items and even packaging requirements cannot be enforced.

It is essential that suppliers to be aware of the legislative orientation in the target market. Likewise, a knowledge of retailers' experiences in relation to the sale of environmentally friendly products is useful. It seems that consumers in general are not attracted by claims of environmental friendliness. This suggests that products must be produced to the highest possible environmental standards without benefiting from marketing them as such. All products will be required to conform to these standards eventually; it will become a prerequisite for the manufacture of any product. To keep informed of the levels of environmental quality expected by society, suppliers would be well advised to review the relevant reports in *Stiftung Warentest* and *Öko-Test*. Keeping in close contact with the major retailers is also advisable, since they are the trend-setters in this area and are likely to give sound advice and guidance regarding the transition to more acceptable production methods and business practice in general.

The final conclusion is that if there are suppliers in any industry who are meeting or exceeding the highest standards and requirements of legislation, consumers and pressure groups, then those who are not may risk being delisted by retailers in the future as requirements of influencing parties increase and as retailers respond by accepting only those products which exhibit the highest environmental quality in procurement, production, use and disposal.

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Appendix A

The following is included in the Brundtland report as a draft. A more detailed legal formulation was also presented to the Brundtland Commission. This text highlights the principles referred to in chapter 2.2.1:

Declaration of the Right to Nature Conservation, Environmental Protection and Sustainable Development

I General Principles, Rights and Responsibilities

Fundamental Human Rights

1. All human beings have the fundamental right to an environment adequate for their health and well-being.

Inter-Generational Equity

2. States shall conserve and use the environment and natural resources for the benefit of present and future generations.

Conservation and Sustainable Use

3. States shall maintain ecosystems and ecological processes essential for the functioning of the biosphere, shall preserve biological diversity, and shall observe the principle of optimum sustainable yield in the use of living resources and ecosystems.

Environmental Standards and Monitoring

4. States shall establish adequate environmental protection standards and monitor changes in and publish relevant data on environmental quality and resource use.

Prior Environmental Assessments

5. States shall make or require prior environmental assessments of proposed activities which may significantly affect the environment or use of a natural resource.

Prior Notification, Access, and Due Process

6. States shall inform in a timely manner all persons likely to be significantly affected by a planned activity and grant them equal access and due process in administrative and judicial proceedings.

Sustainable development and Assistance

7. States shall ensure that conservation is treated as an integral part of the planning and implementation of development activities and provide assistance to other States, especially to developing countries, in support of environmental protection and sustainable development.

General Obligation to Co-operate

8. States shall co-operate in good faith with other States in implementing the preceding rights and obligations.

II Principles, Rights and Obligations concerning Transboundary Natural Resources and Environmental Interferences

Reasonable and Equitable Use

9. States shall use transboundary natural resources in a reasonable and equitable manner.

Prevention and Abatement

10. States shall prevent or abate any transboundary environmental interference which could cause or causes significant harm (but subject to certain exceptions provided for in Art. 11 and Art. 12 below).

Strict Liability

11. States shall take all reasonable precautionary measures to limit the risk when carrying out or permitting certain dangerous but beneficial activities and shall ensure that compensation is provided should sustainable transboundary harm occur even when the activities were not known to be harmful at the time they were undertaken.

Prior Agreements When Prevention Costs Greatly Exceed Harm

12. States shall enter into negotiations with the affected State on the equitable conditions under which the activity could be carried out when planning to carry out or permit activities causing transboundary harm which is substantial but far less than the cost of prevention. (If no agreement can be reached, see Art. 22.)

Non-Discrimination

13. States shall apply as a minimum at least the same standards for environmental conduct and impacts regarding transboundary natural resources and environmental interferences as are applied domestically (i.e. do not do to others what you would not do to your own citizens).

General Obligation to Co-operate on Transboundary Environmental Problems

14. States shall co-operate in good faith with other States to achieve optimal use of transboundary natural resources and effective prevention or abatement of transboundary environmental interferences.

Exchange of Information

15. States of origin shall provide timely and relevant information to the other concerned States regarding transboundary natural resources or environmental interferences.

Prior Assessment and Notification

16. States shall provide prior and timely notification and relevant information to the other concerned States and shall make or require an environmental assessment of planned activities which may have significant transboundary effects.

Prior Consultation

17. States of origin shall consult at an early stage and in good faith with other concerned States regarding existing or potential transboundary interferences with their use of a natural resource or the environment.

Co-operative Arrangements for Environmental Assessment and Protection

18. States shall co-operate with the concerned States in monitoring, scientific research and standard setting regarding transboundary natural resources and environmental interferences.

Emergency Situations

19. States shall develop contingency plans regarding emergency situations likely to cause transboundary environmental interferences and shall promptly warn, provide relevant information to and co-operate with concerned States when emergencies occur.

Equal Access and Treatment

20. States shall grant equal access, due process and equal treatment in administrative and judicial proceedings to all persons who are or may be affected by transboundary interferences with their use of a natural resource or the environment.

III State Responsibility

21. States shall cease activities which breach an international obligation regarding the environment and provide compensation for the harm caused.

IV Peaceful Settlement of Disputes

22. States shall settle environmental disputes by peaceful means. If mutual agreement on a solution or on other dispute settlement arrangements is not reached within 18 months, the dispute shall be submitted to conciliation and and, if unresolved, thereafter to arbitration or judicial settlement at the request of any of the concerned States.

(Source: De la Court, 1990, pp. 112-116.)

Appendix B

The following outlines the orientations of each EU environmental action programme.

The *first action programme* (1973) defined the basic principles and objectives (outlined below) of the Community environmental policy (CEP) and described the actions to be carried out. The main actions under the first programme consisted of air and water quality legislation, emission standards and the disposal of waste. *The second action programme* (1977) reaffirmed the objectives and principles of the first and continued and expanded its actions in the areas of water, air and noise pollution. Natural resources were given particular attention and prevention was emphasised. *The third action programme* (1983) established a series of priority areas: environmental considerations in all policy areas; environmental impact assessment; source reduction of pollution and nuisance in the areas of air, water and soil; the Mediterranean region; pollution caused by transport; trans-frontier pollution; dangerous chemical substances and preparations; waste (especially toxic or dangerous); promotion of clean technology; protection of environmentally sensitive areas; cooperation with developing countries. *The fourth action programme* (1987) developed and specified these principles and initiated action in the areas of biotechnology, natural resources, soil protection and urban, coastal and mountain zone protection.

The main *objectives* of the CEP are:

- to prevent, abate and eventually remove totally all pollution and nuisances;
- to manage resources and prevent their exploitation;
- to take quality requirements into consideration in development;
- to take environmental aspects into consideration in town and country planning;

- to strive for cooperation among international organisations in relation to solutions to environmental issues.

The *principles* of the CEP are:

1. prevention at source should be sought through technical progress;
2. environmental impact should be considered at all stages of the decision-making and planning processes;
3. exploitation of natural resources should be avoided;
4. standards of technological and scientific knowledge should be improved through research;
5. the polluter pays principle;
6. activities carried out in one member state must not damage the environment in another state;
7. the developing countries should be considered;
8. involvement of the member states in international organisations dealing with issues on the environment;
9. continuous and detailed education of the public on the importance of the environment;
10. the level of action (local, regional, national, Community, international) must always be defined;
11. national programmes and policies should be coordinated and harmonised.

Appendix C

For clarification purposes, it is necessary to mention the role of each EU organisation at this stage. The *European Commission* is responsible for initiating and drafting new legislation and for ensuring the application of existing legislation. The *Council of Ministers*, which is made up of one minister from each state, is responsible for the adoption of new legislation. The Council meeting for environment ministers happens four times each year. The *European Parliament* discusses proposed legislation and suggests amendments, but does not have any power to adopt legislation. The *European Court of Justice* settles disputes between member states and/or various EU institutions. The *European Environmental Agency* (EAA) was established in 1990 (formally in 1994). Its aim is to set up and coordinate a *European Environment Information and Observation Network* (EIONET), whose objective it is to provide the EU and the member states with objective, reliable, comparable information. The EEA is also responsible for providing them with information for framing and implementing environment policies, for recording and assessing data and for providing measurement methods.

The most prominent terms contained in environmental law at present include:

- *Duty of care* as defined in the EC directive on waste management means taking 'all reasonable steps open to a person to ensure the legal disposal or reclamation of waste when consigning it to another person' (Elkington et al., 1992, p. 56). This means that the producer of waste is responsible for its disposal.
- *No-fault* means that a producer of waste will be liable for damage and will be forced to pay for restoration or correction.
- *The polluter pays principle* means that the full environmental cost should be reflected in the price of the producer's product or service.
- Setting an overall limit on the total emissions of a factory, region or nation for example, is described by the *bubble concept of emission control*.

- The polluter is responsible for finding the best solution to reduce pollution. This EC concept is called the principle of *BATNEEC*, i.e., *best available techniques not entailing excessive cost*. Emission standards are tightened in accordance with more effective and affordable technology.
- The EC has made *environmental impact assessments (EIA)* a legal requirement for large planning projects. This involves surveying the probable impact of the project on the environment.
- Processes will also be scrutinised according to the standards set by *integrated pollution prevention and control (IPPC)*, whereby pollution of air, land and water are investigated as a whole rather than as three separate media.

Appendix D

The following is a sample of the letter which was sent to the German retailers requesting information and assistance with my research. It was typed on DCU-headed paper.

Firma X

Dublin, den 5. März 1996

Straße

Postfach

Stadt

Bitte um Informationen

Sehr geehrte Damen und Herren,

ich bin eine irische Studentin an der Dublin City Universität, die Forschungen im Bereich Ökomarketing für einen höheren akademischen Grad betreibt. Ich interessiere mich besonders für die *Umweltforderungen der Händler* in Deutschland in Anbetracht der Hersteller.

In der Literatur wird oft darüber diskutiert, wie Händler immer häufiger darauf bestehen, daß die Hersteller an spezifischen Umweltkriterien festhalten. Irische Exporteure interessieren sich dafür und zwar sind solche Forderungen ihnen sehr wichtig. Leider fehlen in Irland Informationen über *die genauen Ansprüche*.

In Bezug auf diesen Trend wende ich mich an Sie mit einigen Fragen:

- *Haben Sie bei X eine Politik, wobei Sie Umweltmaßstäbe für Hersteller setzen? Was sind die Einzelheiten dieser Politik?*
- *Wie beurteilen Sie die Aktivitäten der Hersteller? Schicken Sie den Herstellern einen Ökofragebogen zum Beispiel? Wäre es möglich eine Kopie zu erhalten?*

Ich interessiere mich besonders für die Körperpflege- und Kosmetikindustrie, aber wenn sich solche Produkte in Ihrem Sortiment nicht finden sollten, wären Beispiele aus einer anderen Produktgruppe mir genauso nützlich. Um diese Informationen zu unterstützen, wird es vielleicht nötig sein, persönlich mit Ihnen zu reden. Sollte dies der Fall sein, wäre ich Ihnen sehr dankbar, wenn Sie meiner Bitte um ein Gespräch entgegenkommen könnten.

Natürlich gilt vollkommene Vertraulichkeit. Informationen, die Sie mir schicken, werden in einer generellen Sinne erwähnt, wenn nicht ausdrücklich von Ihnen festgestellt, daß eine Aufdeckung der Informationsquelle Ihnen nicht stören. Wenn Sie Interesse daran haben sollten, stehen die Ergebnisse meiner Arbeit selbstverständlich jederzeit zu Ihrer Verfügung.

Ich freue mich auf eine baldige Nachricht und verbleibe

mit freundlichen Grüßen

Majella Brennan

DCUBS Postgraduate

English translation of the main body of the letter:

I am an Irish student at Dublin City University doing research in the area of environmental marketing for the award of Master of Business Studies (MBS). I am specifically interested in the environmental demands placed by retailers in Germany on manufacturers.

According to literature retailers are more and more frequently insisting that suppliers adhere to specific environmental criteria. This trend is certainly of interest to Irish exporters and indeed these environmental demands are critical to their success in the German market. Unfortunately there is a notable lack of information on the exact requirements of retailers in this regard.

In relation to this trend I am approaching you with a number of requests:

- Have X a policy whereby they lay down specific environmental standards for suppliers? What are the details of this policy?
- How do X judge the activities of suppliers? Do they send suppliers a questionnaire for example? Would it be possible to obtain a copy of this?

I am particularly interested in the personal care products industry, but if you do not stock these products, examples from another product area would be equally applicable to the research. In order to support this information it may be necessary to speak with you in person. Should this be the case, I would be very grateful, if you could accommodate me in my request for an interview.

Anonymity is of course guaranteed. Information which you divulge will be mentioned in a general context, unless categorically stated by you that a revelation of the source is not an issue. The results of the study will of course be made available to you on request.

I look forward to hearing from you in the near future

Appendix E

The following is a copy of the questionnaire which was sent to retailers in advance of the interview and was to serve as an indication of the topic to be discussed at the interview.

German Copy:

1. (i) Im Umweltleitbild werden die Umweltaanforderungen in Anbetracht der Hersteller (im allgemeinen bzw. spezifisch von Körperpflegemitteln) erwähnt?
(ii) Was wird geschrieben?
2. (i) Seit wann konzentrieren Sie auf Hersteller?
3. (i) Warum bestehen Sie darauf, daß Hersteller an solchen Forderungen festhalten?
(ii) Was/Wer hat Sie dazu veranlaßt, Hersteller einzuziehen?
4. (i) Wie führen Sie dieser Teil der Politik durch?
(ii) Was sind die Kriterien, die Sie bei der Einkaufsentscheidung benutzen?
(iii) Kontrollieren Sie die Hersteller bezüglich gesetzlicher Anforderungen, oder nehmen Sie an, daß an diesen Vorschriften festgehalten wird?
(iv) Was ist der Umfang Ihrer Anforderungen:
 - Konzentrieren Sie in erster Linie auf Verpackungen: was sind Ihre Anforderungen in diesem Bereich?

- Überprüfen Sie den Inhalt/Rohstoff: was sind Ihre Anforderungen in diesem Bereich?
 - Ist Ihnen das Produktionsverfahren (Energieverbrauch, Abfall, Emissionen...) wichtig: was sind Ihre Anforderungen in diesem Bereich?
 - Erwähnen Sie Tierversuche: was sind Ihre Anforderungen in diesem Bereich?
 - Überprüfen Sie die Transport/Logistikmethoden: was sind Ihre Anforderungen in diesem Bereich?
 - Ist Ihnen die Unternehmensumweltpolitik im Management und in der außerbetrieblichen Aktivitäten der Hersteller wichtig?
5. (i) Werden alle Produktgruppen analysiert?
6. (i) Basierend auf Umweltkriterien, wie entscheiden Sie letztendlich einen Produkt/Lieferant anzunehmen bzw. abzulehnen?
- (ii) Was ist das aller niedrigste Umweltqualitätsniveau?
7. (i) Wie überprüfen Sie die Hersteller: Fragebogen, Firmenbesuch, Gespräch...?
- (ii) Wer nimmt daran teil: verschiedene innerbetriebliche Funktionen, außenstehende Fachexperten, Mitglieder einer Umweltgruppe...?
8. (i) Wie oft überprüfen Sie die Hersteller: nur am Anfang, regelmäßig...?
9. (i) Werden die Anforderungen regelmäßig überarbeitet? Wie oft?
10. (i) Wie sehen Sie die Zukunft vorher: strengere Anforderungen, nicht so streng...?

- (ii) Welche Kriterien werden dann zu den Umweltaanforderungen gehören, Ihrer Meinung nach?
11. (i) Ist es für Ihnen bzw. für die Hersteller ökonomisch sinnvoll, auf diesen Umweltstandards zu bestehen bzw. an diesen Anforderungen festzuhalten?
- (ii) Welche Anhaltspunkte gibt es für diese Behauptung?
- (iii) Welche Beweise haben Sie, daß die Bevölkerung solche umweltfreundlichere Produkte anderen vorziehen?
12. (i) Werden alle Hersteller ähnlich behandelt: deutsche/ausländische Firmen, große/kleine Lieferanten...?
13. (i) Gelten die gleichen Auswahlkriterien im Osten?
14. (i) Auf welche Schwierigkeiten stoßen Sie bei der Durchführung Ihres Auswahlprozesses?
- (ii) Wie überwinden Sie diese Schwierigkeiten?
15. (i) Welche andere Händler gehören zur gleichen Gruppe?
- (ii) Benutzen Sie alle die gleichen Auswahlkriterien?
- (iii) Was ist Ihr Marktanteil?

Vielen Dank!

English translation:

1. (i) Is there reference in the environmental policy statement to the environmental demands placed on manufacturers.
(ii) What is written.

2. (i) Since when has the company focused on suppliers.

3. (i) Why are suppliers requested to meet certain standards.

(ii) What/Who prompted the inclusion of suppliers in the environmental policy.

4. (i) How do you implement this aspect of the environmental policy statement.

(ii) What environmental criteria do you use in the purchase decision.

(iii) Are suppliers examined re legislative requirements or is it assumed that they adhere to these.

(iv) What is the scope of your requirements::
 - Do you just concentrate on packaging: what are the exact requirements.
 - Are ingredients/raw materials scrutinised: what are the exact requirements.
 - Is the production process (energy usage, waste, emissions...) of importance: what are the exact requirements.
 - Do you refer to animal testing: what are the exact requirements.
 - Are logistics/transport methods reviewed: what are the exact requirements.

- Are the suppliers' environmental policies, overall company management and activities examined: what do you look for.
5. (i) Are all product groups scrutinised.
 6. (i) How do you ultimately decide to accept/reject a product based on environmental criteria.
 - (ii) What is the minimum level of environmental quality required.
 7. (i) How are companies assessed: questionnaires, visits to plant, discussions...
 - (ii) Who is involved in the review: numerous functions within the company, external experts, environmental activist group members...
 8. (i) How often are companies and their products examined: only at the outset, at intervals...
 9. (i) Are the requirements constantly revised and updated. If so, how often.
 - 10.(i) How do you see the trend in the future: more stringent, revert back to less environmentally friendly products...
 - (ii) What exactly will be entailed in environmental requirements.
 - 11.(i) Is it economically viable for you and the suppliers to pursue the attainment of these standards.
 - (ii) What evidence do you have that consumers wish to purchase these products over other less environmentally friendly products.

- 12.(i) Are all suppliers treated the same: foreign/domestic suppliers, large/small suppliers...
- 13.(i) Does the same product selection process apply in East Germany.
- 14.(i) What difficulties are encountered in selecting suppliers/products based on environmental criteria.
- (ii) How do you overcome them.
- 15.(i) What other retailers belong to the same company group as you.
- (ii) Do they use the same purchase criteria
- (iii) What share of the German market do you have.

Thank you!