Assuring Consumer Confidence in Ethical Trade

The Ethical Trade Fact-finding Process (ETFP) Summary

September 2010

The Ethical Trade Fact-finding Process (ETFP)

The Ethical Trade Fact-finding Process aims to investigate what it takes to build consumer confidence in purchasing ethically traded products and services

PHASE I	
Research	Multi-stakeholder Roundtable
March 2009	October 2009
PHASE II	
Mapping	Steering Group Recommendations
November 2009	September 2010
Content	
The Ethical Trade Fact-finding Process (ETFP)	1
Phase I Building Consensus	2
Phase II Exploring Solutions	5
ETFP Steering Group Recommendations	5
Annex 1 ETFP Multi-stakeholder Roundtable Agenda and Participant List	8
Annex 2 OneWorldStandards and Pacific Institute Report Executive Summary	13
Annex 3 Symbeyond Mapping Report Executive Summary	20

The Ethical Trade Fact-finding Process (ETFP)

An international approach

Recent years have seen an explosion of interest in, and uptake of, social and environmental standards and labels. Consumer organisations are concerned that a number of ethical claims support 'business as usual' practices and are confusing consumers. The resulting proliferation of consumer-oriented labelling schemes has given rise to an increased potential for consumer confusion and misleading claims. Leading ethical standards and conformity assessment initiatives have long since recognised the need to establish credibility criteria to address such concerns, and have worked towards their creation and adoption.

A number of different initiatives on national, regional and international levels have sought clarity through standards harmonisation, and better information or differentiation through credibility tools (e.g., third party assurance and codes of best practice). While governments have also begun to operate more forcefully in the field of ethical standards, many remain reticent about defining the scope of legitimate ethical claims.

Nevertheless, a coherent approach has been missing, with no genuinely inclusive effort to engage stakeholders at the international level. Although a significant amount of research has been carried out, it comes from a number of different interest groups using different methodologies. This has made objective comparisons difficult and leaves the independence of such research open to question.

The aim of this endeavour was to develop a credible, globally agreed vision by a multi-stakeholder roundtable under the guidance of a steering group. This can then be used as an effective tool to build trade in ethical products.

Building consumer confidence

The Ethical Trade Fact-finding Process (ETFP) was established following the workshop, *Can consumers rely on fair trade claims?*, held by the ISO Committee on consumer policy (ISO/COPOLCO) in 2007. Its aim is to build consumer confidence in purchasing ethically traded products and services by recommending solutions to reduce the potential for consumer confusion caused by inaccurate and unreliable 'ethical' claims.

The ETFP focus is twofold:

- 1. Establish a multi-stakeholder driven fact-finding process to clarify the nature and extent of inaccurate or false ethical claims, and the problems such claims present for consumers wishing to make ethical purchasing decisions.
- 2. Develop potential solutions to address the problems identified.

The ETFP is led by a Steering Group consisting of Consumers International (CI), the French National Standards Body AFNOR, the Brazilian National Standards Body ABNT, the ISEAL Alliance and the Fair Trade organisations FLO and WFTO (Fair Trade Advocacy Office), with the Secretary of ISO COPOLCO as an observer.

The ETFP project, with support from the Dutch Ministry of Economic Affairs and ISO, ran in two phases, from March 2009 until September 2010.

Phase I: Building Consensus

During the first phase of the ETFP, which ran from March 2009 until October 2009, independent researchers were hired from OneWorldStandards and Pacific Institute to conduct a thorough review of existing studies on the nature and extent of unreliable ethical claims and related impacts on consumer confusion. The research findings were presented at a multi-stakeholder roundtable on 12 -13 October 2009 in The Hague, The Netherlands. Annex 1 provides a full Programme Agenda and List of Participants. An Executive Summary of these findings is available in Annex 2.

Multi-stakeholder engagement in The Hague

At the Assuring Consumer Confidence in Ethical Trade Multi-stakeholder Roundtable, 65 participants representing consumers, industry, government, NGOs, standards setters and research institutes from 35 countries convened to get a shared understanding of consumer attitudes to ethical trade and propose ways forward.

The roundtable comprised seven tables, each with six to eight participants. Participants were allocated to specific tables to ensure that each discussion group featured participation from experts from each stakeholder category and geographic area, as far as was possible. On Day Two, seating was reallocated to create discussion groups with a different combination of experts, to further expand the exchange of stakeholder experience and input.

The context was set by outlining the core questions underlying the Roundtable, namely different expectations from consumers and other stakeholders of:

- the 'attributes' of ethical claims (environmental impact, labour practices, animal welfare, etc.)
- the 'processes' behind ethical claims (self-declaration, third-party verification, participatory mechanisms)
- the different roles and responsibilities of stakeholders in ethical claims (consumers, retailers, standards setters)
- how to engage consumers.

Participants looked at four areas:

1. The range, quantity and quality of ethical claims

Despite the wide array of claims, their varied use in different sectors and differing communication methods (for instance, at the point of sale, in an advertisment, on websites or by a third party), some common factors, which can enhance reliability, were identified. They include:

- accurate information simple and clear, but adequate
- independent verification of the claim being made
- traceability through the supply chain
- transparency of the information transmitted through the claim
- accountability of the company or the organisation making the claim.

Conversely, unreliable claims were described as commonly characterised by the lack of substantiating information, vague language and the misuse of imagery.

Joint multi-stakeholder work to build consumer awareness of ethical trade was considered a key factor to empower consumers to make informed purchasing decisions.

The roundtable was financially supported by the Swedish International Development Cooperation Agency (Sida), the Nederlands Normalisatie-instituut (NEN), the International Organization for Standardization (ISO), the Dutch Ministry of Economic Affairs, as well as the ETFP Steering Group.

Highly participatory roundtable

Each session consisted of an introduction by Steering Group members, a short presentation from the researchers to summarise the findings of the report for each topic, followed by interactive sessions with the participants using a number of techniques, including responding to specific sets of questions, sticky notes and panel discussions.

2. Understanding consumer attitudes to ethical claims

Consumer, NGOs and standards representatives from developing countries gave short verbal presentations outlining the issues, understanding and context of ethical trade in their countries. This highlighted the fact that even though many ethical products are produced in developing countries, the presence of these products on the home market is scarce. Consumers in developing and transitional economies either have no access to 'fairly traded products' or only at a high premium.

Even when these products are available, consumer concerns with price outweighs the potential interest in, and perceived added value of, ethical products for all but a very small segment of the population. However, interest in this market is growing. Buyer familiarity with, and connection to, vendors were identified by some participants as key to establishing consumer confidence.

Concerns were raised about a lack of awareness among developed countries of the different cultural and economic contexts in developing countries. From the presentations, it also emerged that similar products appear with different claims in different markets.

The Roundtable discussions also highlighted how ethical trade claims have traditionally come from social and environmental movements or organisations representing small-scale operators. More recently, however, large corporations have begun to market certain niche product lines with ethical claims. This limited approach led some to suggest that big corporations are not serious about mainstreaming ethical trade within their business strategy, but rather see it as a PR exercise in social responsibility (ethical washing).

Spurred by these reflections, multi-stakeholder tables identified the following as key issues affecting consumer confidence in ethical trade:

- the need for greater accountability and transparency in what lies behind each claim
- the need for an international understanding of what is 'ethical' and how it is verified
- improved awareness and evidence of how consumption choices affect ethical outcomes
- the need for greater consumer advocacy to ensure legislation, market surveillance and public endorsements contribute to delivering outcomes on the ground.

3. Impacts of consumer attitudes on ethical trade

The relationship between ethical trade and ethical claims, and specifically whether low consumer confidence, as a result of inaccurate or unreliable claims, has a negative impact on ethical trade was debated. The independent research (Annex 2) showed that there is no data currently available which substantiates this assumption.

It was noted that whereas there is some data on the measurable impacts of third-party certified claims, there is little recorded data for self-declared claims. Consumers need to understand the impacts of ethical claims on the social, environmental and economic conditions for small producers.

It emerged that some ethical trade initiatives, such as the ISEAL Alliance, have already started work on impact assessments and how to communicate this in a transparent fashion. Methodologies could be explored to identify how consumers can be better informed about or be able to assess the credibility of ethical claims and their impacts.

4. Measures to improve consumer confidence in ethical trade

Overall, the results of the independent research resonated with the discussions that developed between the experts attending the Roundtable.

To build consumer confidence the Roundtable participants identified a need for:

- a common language and understanding of 'ethical trade'
- minimum requirements for 'reliable' ethical claims
- recognition and promotion of credible multi-stakeholder initiatives, that have been developed by key stakeholders, including consumers
- increased awareness and empowerment of consumers to make informed choices
- better tools to assess and communicate the impact of ethical claims
- strengthened market surveillance and commensurate action.

The Roundtable acknowledged a number of major international processes that are already focusing on these issues. In light of these existing processes, the group stressed the need to maximise resources and concentrate efforts.

Phase II: Exploring Solutions

On 14 October 2009, the Steering Group convened to identify the next steps for the EFTP project, on the basis of the conclusions of the Roundtable.

Steering Group members identified and agreed a strategy to meet the objectives of the ETFP:

- The need for a methodology, developed by a multi-stakeholder process, to enable consumers to distinguish different attributes (social, economic and environmental) and processes (verification, certification, self-declaration, etc.) behind ethical trade claims, leading to a minimum requirements document for reliable ethical claims.
- Based on the methodology developed, identify the tools to empower consumers to make informed purchasing decisions. Stakeholders need to work together to jointly promote such tools to increase consumer awareness.
- Recognising the existence of other initiatives with similar or overlapping objectives, the Steering Group will begin by mapping them to identify synergies and gaps in order to best design and deliver the methodology and tools needed.

To aid the Steering Group in its efforts, consultancy Symbeyond was instructed to conduct a mapping of initiatives which compare ethical claims, and/or define terms and criteria for ethical claims. An Executive Summary of the main findings is presented in Annex 3.

Final ETFP Steering Group Recommendations

Taking into account the research and discussions during the ETFP, the Steering Group agreed the following:

On ethical claims

Ethical trade is a dynamic field and consumers are increasingly confronted with ethical claims. It is therefore clear that there is a definite need for initiatives that support them in finding information and utilising this information to make lifestyle choices. In parallel, consumers also show increased interest in these ethical claims.

The ETFP mapped initiatives that compare ethical claims or seek to define terms and criteria for ethical claims. Research found that few seem to provide a truly comprehensive, easily accessible and useful overview of claims or to communicate with consumers in an effective manner.

On consumer confidence

To assure consumer confidence in purchasing ethically traded products, the Steering Group recommends that all organisations making ethical claims, and initiatives comparing or defining terms and criteria for ethical claims, take into account the following areas:

Attributes

Ethical claims are made on the basis of a number of attributes, which can include social, environmental and economic aspects. A number of initiatives attempt to distinguish between different attributes of an ethical claim. However, there is no internationally harmonised agreement on what defines these attributes.

A long-term goal would be to have a common international understanding of the attributes behind ethical claims. This might have a significant impact on enhancing consumer confidence when making purchases.

However, the Steering Group recognises the complexity of defining attributes of ethical claims as this is in constant evolution. Therefore, as a first step, clear and transparent information on the criteria used to define attributes should be provided.

Processes

Research has shown that a key element to increase consumer confidence in ethical claims is the reliability of the claim.

The reliability of ethical claims can be ensured if the process by which the ethical claim is made is rigorous and transparent.

Although there is no commonly accepted objective framework for evaluating the reliability of ethical claims, the ETFP found seven essential areas of concern, illustrated below to assess the extent that a claim is reliable.



The Steering Group recommends that initiatives comparing ethical claims or defining terms and criteria for ethical claims should include, but not necessarily be limited to, the factors above.

All initiatives should provide clear and transparent information on the process-related aspects they have used to evaluate the reliability of a claim.

The Steering Group further recommends that these aspects be used as a basis for an internationally recognised minimum requirements document, which can be used to assess the reliability of an ethical claim.

Given the commonality in procedural criteria currently used by initiatives we believe that the time is ripe for the consideration of this option and to fulfil this, we recommend a multi-stakeholder dialogue to determine the appropriate elements to include in this minimum requirements document.

Communication

Although many initiatives are focused on the provision of information and guidance to consumers with regard to dealing with ethical claims, their communication efforts are not always adjusted to their target group.

Communication is key in giving effective information to consumers who may consist of those already motivated to search information on claims or those who may not yet be aware of ethical issues.

The Steering Group recommends:

- The development of any tools and methodology to start with the definition of a target group. The identification of a target group should be detailed and precise.
- Appropriate design and structure to communicate with consumers effectively through attractive and accessible means and formats. This may be through a combination of different communication tools to reach the target group.
- Information to be presented in the structure of a pyramid or reverse funnel: going from a quick overview to increasingly elaborative and detailed information.
- To be proactive. This may involve reaching out to target groups and seeking partnerships with other stakeholders including governments, retailers, business, consumers associations, civil society and the ethical trade movement.
- To be interactive. Consumers can be a source of information and could be engaged by involving them actively.
- To make best use of emerging technologies and innovative techniques.

Consumers need a simple and easy answer when deciding which product to purchase on the basis of the attributes behind the claim and its credibility. We believe rating is a good tool to communicate this to consumers in a direct and effective way.

When rating is used, transparency with regard to how and why the rating is made is essential. The lack of this information would undermine the credibility of the initiative and may mislead consumers.

Conclusion

The ETFP has been a successful multi-stakeholder dialogue, which has brought benefits beyond the outputs of the process.

On the basis of the above, the Steering Group has decided to explore, informally, avenues for future collaborations, bearing in mind the objectives of the process.

The Steering Group would like to take this opportunity to thank the sponsors and all the organisations and individuals who have contributed to the ETFP.



Ethical Trade Fact-finding Process (ETFP) Multi-Stakeholder Roundtable - Assuring Consumer Confidence in Ethical Trade

12-13 October 2009, NH Atlantic Hotel, Deltaplein 200, 2554 EJ, Den Haag

Agenda

Day One-Monday, 12 October 2009

Objective: Get a shared understanding of consumer attitudes to ethical trade

09:00 - 09:30	Registration	
	INTRODUCTION	
09:30 - 09:45	Opening and welcome address	Mr Bjarne Pedersen, Director of Operations, Consumers International
		Mr Jan A. Wesseldijk, Managing Director, NEN
09:45 - 10:10	Objectives and core questions underlying the Roundtable	ETFP Steering Group Elizabeth Guttenstein, ISEAL Alliance
10:10 - 10:30	Presentation of the research approach: Overview and Research Framework	Jason Morrison, Pacific Institute Matthew Wenban-Smith, OneWorldStandards
10:30 - 10:45	Coffee and tea break	
SESSION ONE		
11:00 - 12:30	The range, quantity and quality of ethical claims Issues include: different kinds of ethical claims and their classification; the quantity and types of "misleading or unreliable" claims.	Moderation: Gelkha Buitrago, FLO Annalisa Tidona, ETFP Presentation: Jason Morrison, Pacific Institute Matthew Wenban-Smith, OneWorldStandards
		Roundtables discussion

		Plenary discussion
12:30 - 13:30	Lunch	
	SESSION TWO	
13:30 - 15:30	Understanding consumer attitudes to ethical claims Issues include: is consumer confidence increasing or decreasing; how do consumers respond to ethical claims; consumer decision-making; level of consumers confidence in relation to different kinds of ethical claims; key factors that affect consumer confidence in ethical claims. Presentations from: Zoran Nikolic, National Consumer Association of Serbia; Emmah Wanyonyi, Consumer Information Network, Kenya; Marimuthu Nadason, Malaysian Association of Standards Users; Saleh Alzadiali, Oman Association for Consumer Protection:	Moderation: Elizabeth Guttenstein, ISEAL Alliance Sadie Homer, Consumers International Presentation: Jason Morrison, Pacific Institute Matthew Wenban-Smith, OneWorldStandards
	Saleh Alzadjali, Oman Association for Consumer Protection; Lisa Gunn, IDEC, Brazil; Fortunate Hofisi Nyakanda, Zimbabwe Organic Producers & Promoters Association; Guillermo Zucal, IRAM, Argentina; Ramona Ramos, WFTO, Philippines; Fabiola Zerbini, Faces do Brazil, Brazil.	Roundtables discussion Plenary discussion
15:30 - 15:45	Coffee and tea break	
	SESSION THREE	
16:00 - 17:30	Impacts of consumer attitudes on ethical trade Issues include: implications of levels of confidence for consumers and other stakeholders; the relationship between ethical claims, ethical trade and ethical impacts.	Moderation: Sergi Corbalán, Fair Trade Advocacy Office Rémi Reuss, AFNOR Presentation: Jason Morrison, Pacific Institute Matthew Wenban-Smith, OneWorldStandards
19:00	Dinner at NH Atlantic Hotel - compliments of NEN	Plenary discussion

Day Two-Tuesday, 13 October 2009

Objective: Agree on an action plan to identify ways to build consumer confidence in purchasing ethically traded products and services

09:00 - 09:30	Overview of Day One	
	SESSION FOUR	
09:30 - 10:30	How can ethical trade be made more effective? Setting the framework for Day Two	Moderation: Bjarne Pedersen, Consumers International Presentation: Jason Morrison, Pacific Institute Matthew Wenban-Smith, OneWorldStandards Q&A
10:30 - 10:45	Coffee and tea break	
11:00 - 12:30	Roundtables discussion	
12:30 - 13:30	Lunch	
13:30 - 14:30	Report back to plenary	
	SESSION FIVE	
14:30 - 15:30	Summary	Moderation: Bjarne Pedersen, Consumers International Plenary discussion
15:30 - 15:45	Coffee and tea break	Tichary discussion
16:00 - 17:20	Action Plan for next steps	ETFP Steering Group Sergi Corbalán, Fair Trade Advocacy Office
17:20 - 17:30	Conclusion	

Participant list

Name of participant	Organisation	Country
Ms. Abgaryan, Nazik	National Institute of Standards (SARM)	Armenia
Mr. Adria, Oliver	UNEP/Wuppertal Institute Collaborating - Centre on Sustainable Consumption and Production (CSCP)	Germany
Mr. Alfghi, Elhashmi	Inspection and Consumer Protection, Ministry of Industrial Economy and Trading	Libya
Mr. Alzadjali, Saleh	Oman Association for Consumer Protection	Oman
Ms. Asti, Larronda Ana	Onda Solidaria	Brazil
Mr. Attoungbre,	APEX-CI	Cote d'Ivoire
Kouame Joseph	(Cote d'Ivoire Export Promotion Agency), TPO	
Ms. Bentsianova, Tetyana	Kyiv Regional Department for Consumer Rights Protection	Ukraine
Ms. Bich, Bui Ngoc	Vietnam Standards and Quality Centre (VSQC)	Vietnam
Ms. Bogaers, Karin	Royal Ahold	Netherlands
Mr. Broersen, Nico	People4earth	Netherlands
Mr. Bryden, Alan	Consultant to UNIDO	France
Ms. Buitrago, Gelkha	Fairtrade Labelling Organizations International (FLO)	Global
Ms. Collier, Heather	Department for Environment, Food and Rural Affairs (DEFRA)	UK
Mr. Corbalan, Sergi	Fair Trade Advocacy Office (FTAO)	Global
Mr. Dal Fiume, Giorgio	Altromercato	Italy
Mr. Daub, Peter	Partnership for Education and Research about Responsible Living (PERL)	Netherlands
Mr. de Halleux, Gilles	Test-Achats	Belgium
Dr. Ferro, Imola	Nederlands Normalisatie-instituut (NEN)	Netherlands
Ms. Franz, Roswitha	International Organization for Standardization (ISO)	Global
Mr. Gashe Bekele, Tsegaye	National Association of Ethiopian Industries	Ethiopia
Mr. Gharbi, Noomen	Tunisian Trade Union (UGTT)	Tunisia
Ms. Gonzales, Alex	Traidcraft	UK
Ms. Gunn, Lisa	Instituto Brasileiro de Defesa do Consumidor (IDEC)	Brazil
Ms. Guttenstein, Elizabeth	International Social and Environmental Labeling Alliance (ISEAL) Alliance	Global
Ms. Hofisi Nyakanda, Fortunate	Zimbabwe Organic Producers & Promoters Association	Zimbabwe
Mr. Holm, Christin	Sveriges Konsumenter	Sweden
Ms. Homer, Sadie	Consumers International	Global
Mr. Jabbar, Memon Abdul	Pakistan Standards & Quality Control Authority (PSQCA)	Pakistan
Ms. Jakobsen, Pia	FACUA	Spain

Annex 2

Assuring Consumer Confidence in Ethical Trade - Fact-finding Process Final Report, Executive Summary, November 2009

The report was prepared by Matthew Wenban-Smith of OneWorldStandards Ltd and Mari Morikawa, Jason Morrison, and Peter Schulte of the Pacific Institute. It represents the views of the authors and not necessarily those of the ETFP Steering Group or its members.

Introduction

Recognising the need to better understand the problems associated with inaccurate and unreliable claims concerning the ethical dimensions of consumer products and services, ISO's Committee on consumer policy established the Ethical Trade Fact-finding Process (ETFP) in May 2007. The ETFP aims to clarify the nature and extent of inaccurate or false 'ethical' claims and the problems such claims present for consumers wishing to make 'ethical' purchasing decisions, as a step towards developing potential solutions to the problems identified. The overarching objective of the ETFP is to build consumer confidence in purchasing ethically traded products and services by recommending solutions to reduce the potential for consumer confusion caused by inaccurate and unreliable ethical claims. This initial fact-finding study was commissioned to support the ETFP Steering Group in its work, with four objectives to:

- summarise the quantitative evidence relating to the number and significance of inaccurate and/ or unreliable claims to consumers about the ethical dimension of products and services
- draw from the evidence collected to identify whether inaccurate and/or unreliable claims are leading to negative impacts
- identify stakeholders (in addition to consumers themselves) who may be affected by any confusion or negative impacts that are identified
- compile and evaluate examples of ways which consumers or other stakeholders have tried to address their confusion or related impacts.

The study was based on the review of approximately 180 information sources relating to a broad range of ethical claims (including both 'environmental' and 'social' claims) carried out between July and September 2009.

The findings of this initial fact-finding phase of research were presented in the form of a background report for review and discussion at a Roundtable in The Hague on October 12-13, 2009. Following the roundtable the conclusions and recommendations of this background report were finalised for presentation to the ETFP Steering Group.

Framework for the evaluation of reliability of ethical claims

There is no commonly accepted, objective framework for evaluating the reliability of ethical claims. Studies and reports considering the reliability of ethical claims use different terms for key concepts related to the quality of claims (e.g., some ask whether claims are 'unreliable' others whether claims are 'misleading' or 'confusing'). These terms have subtly but significantly different meanings. This situation makes the interpretation and comparison of findings in the literature highly problematic. This study identified seven factors that were considered to be of concern in relation to the reliability of ethical claims:

- The truthfulness of a claim
- The potential to verify a claim
- The abuse of 'ethical' imagery or words П
- The level of performance about which a claim is made
- The significance of impacts (selectivity)
- The clarity or meaning of a claim
- The variety of different claims

These core areas of concern were used as a framework to carry out a qualitative and quantitative evaluation of the extent to which these factors occur in the market place, and consideration of the implications in relation to consumer confidence, decision-making, and other impacts.

Findings

The study's key findings and recommendations are presented in accordance with four main areas of inquiry, each of which is considered below.

1) Breadth of the problem: What is the quantitative evidence relating to the number and significance of inaccurate and/or unreliable ethical claims to consumers?

While concerns have been raised over several years about the reliability of ethical claims, and there are dozens of studies that discuss the reliability of claims qualitatively, this review found relatively few studies that take a quantitative approach.

Given the scarcity of clear data, it is difficult to come to specific quantitative conclusions about the number of unreliable ethical claims in the market with any confidence.

The few quantitative studies on ethical claims that were identified all focus on claims made in markets in 'developed' rather than 'developing' countries. The only studies that provided quantitative detail in relation to the factors that contribute to the reliability of claims focused on consumers in North America, Europe and Australia. The extent to which these findings are generally applicable to other countries is unclear.

Most of the concerns about the quality of ethical claims appear to relate to self-declared claims, rather than to third-party verified claims. Some studies go as far as to imply that third-party claims

There is no commonly accepted, objective framework for evaluating the reliability of ethical claims.

do not suffer from significant quality concerns, while others make a distinction between 'credible' or 'legitimate' third-party claims and other third-party claims without clarifying the factors that might constitute credibility or legitimacy. While there are grounds to consider that third-party claims are more reliable in relation to some factors (e.g., verifiability), there are still issues of concern in relation to performance levels and selectivity.

Some studies characterise single issue claims as being less reliable than life-cycle based claims. This topic appears worthy of more debate. The goal of such debate would ultimately be to reach a shared understanding among experts and practitioners of the nuances around this complex issue and potentially to develop consensus-based good practice guidance on the matter.

The researchers found no evidence to suggest that the overall quality of ethical claims is getting worse over time. There is limited evidence that the number of complaints relating to ethical aspects of advertisements is increasing, but it is not known whether this relates to increased scrutiny of claims, the increased number of advertisements making ethical claims, or the nature or quality of the claims being made. It is impossible, based on the data available, to come to reliable conclusions about trends in the quality of point-of-sales ethical claims.

2) How widespread is consumer confusion and what are the negative impacts associated with inaccurate and/or unreliable claims?

After considering the available data relating to the reliability of ethical claims, the study considered the factors that affect consumer confidence in such claims, and the evidence that unreliable claims are creating consumer confusion or damaging consumer confidence.

In relation to the factors that affect consumer confidence, the study found that:

- Consumer decision-making is holistic rather than reductionist in relation to confidence in claims. Consumers take account of a wide variety of factors to come to a conclusion as to whether they consider a claim to be reliable. These factors include awareness of an issue; recognition and understanding of the claim; trust in the organisation making the claim; trust or knowledge of entities endorsing the claim; cultural expectations of company behaviour; exposure to public debate on the meaning or value of the claim; assumptions or knowledge of some particular aspect of the claim; and the opinions of friends and family, among others. The level of confidence in a particular claim in a particular place will be a function of the combination of all these factors.
- Consumer confidence in a particular ethical claim depends strongly on familiarity with that particular claim.
- A number of studies of consumer attitudes to ethical claims now segment consumers into different categories depending on their level of interest in and/or commitment to ethical issues. Different consumers are more or less interested in ethical issues, and in ethical claims. The extent to which unreliable claims affect consumer confidence is likely to depend in part on the initial level of interest consumers have in such claims.

In relation to consumer confidence itself:

- Overall, consumer confidence in ethical claims appears to be mixed. Consumers seem to be neither generally cynical nor naively trusting. The majority of consumers can perhaps be characterised as sceptical or discriminating.
- There was evidence that some consumers find specific claims or aspects of claims confusing, for example in relation to the difference between 'recycled' and 'recyclable' symbols, and in relation to various aspects of claims about greenhouse gas emissions.
- There is considerable variation from country to country as to the level of trust that consumers have in ethical point-of-sale, third-party certification labels and in ethical claims by businesses generally. Similarly, there is considerable variation in the trust that consumers have for particular ethical labels in different countries.
- Consumer familiarity with most ethical claims is very low, and few of the third-party claims that are commonly considered to be credible in the literature are widely recognised by consumers at a global level.
- The study found insufficient evidence to determine whether consumer confidence in ethical claims is increasing or decreasing over time.

The impacts of unreliable claims on consumer confidence

Various studies propose that unreliable claims (however defined) will lead to a reduction in consumer confidence and reduce uptake of ethical products. However, there was no study that linked this proposition with quantitative data or consumer survey findings. Since consumers' decision-making is a holistic process, it is very difficult to isolate the extent to which the perceived reliability of a claim, as distinct from other factors, impacts consumer confidence and decision-making. Moreover, given that a range of factors affect perceived reliability, it is hard to determine which factor is of greatest significance.

Much of the research on unreliable claims in the market place focuses on the issue of spurious ethical claims (including self-declared and third-party certified), while in contrast, the majority of research on the impacts of ethical claims focuses on a small sliver of the universe of ethical claims, and that is on 'premium' third-party ethical claims and labels. The study found little research into the possible negative impacts of spurious ethical claims. The findings of such research would be significant to the objectives of this study, but we simply do not know, for example, whether the use of spurious words like 'natural', or 'recyclable' or even 'environmentally-friendly':

- creates 'green noise' that confuses consumers and prevents them from making ethical decisions they would otherwise make; or,
- misleads consumers into believing they are taking positive ethical actions when in fact they are not; or,
- is readily identified by consumers as being spurious, and is thus readily ignored; or,
- raises awareness and 'buy-in' to ethical values, which builds support for future actions and a sense of commitment that makes it easier for more substantive action to be taken.

This study did not identify any evidence of causality between objective measures of the reliability of ethical claims and reductions in measures of consumer confidence, reduced demand for ethical

products, or other negative impacts. Nor did it find a study or consumer survey in which 'doubts about the reliability of claims' was evaluated quantitatively and identified as a major reason for people to choose or not choose ethically labelled products.

There is evidence that a significant number of consumers are confused about at least some ethical claims, and are seeking clarity to help them make decisions. However, the study could not conclude how much of the confusion stems from unreliable claims.

As mentioned, the research identified a genuine lack of agreement among experts and practitioners on core issues relating to good practice in the area of ethical claims. It seems likely that a significant part of the confusion that consumers express is a reflection of the lack of underlying consensus as to what constitutes a reliable claim.

Two factors, in particular, are problematic: the question of selectivity and the question of performance levels. Until there is agreement about best practice in relation to these key issues it is hard to see how consistent advice can be passed on to consumers to help resolve their own concerns about reliability.

3) Beyond consumers, are other stakeholders affected by the confusion and/or impacts identified?

The quality, objectivity, and comparability of the data around the positive impacts of ethical claims are limited. Existing studies concentrate on well-established third-party certified ethical claims (e.g., national ecolabel schemes, Forest Stewardship Council, Fair Trade, organic, etc.). These studies show general agreement that there are positive environmental and social impacts associated with ethical claims by those parties that choose to make use of them. The evidence that third-party ethical claim schemes can and do have significant, positive ethical impacts appears clear. However, there is no equivalent body of research evaluating the impacts of self-declared ethical claims.

A broad range of stakeholders including governments and policy makers, retailers, manufacturers, producers and ethical standards systems are engaged in ethical trade. It is assumed that they may be negatively affected by unreliable claims.

However, there is no data to substantiate this assumption.

In so far as these 'professional' parties are concerned, the main areas of debate seem to focus on evaluating the impacts (positive or negative) of credible third party schemes, relating to issues of cost, availability, comparisons between competing standards and other such issues. There appears to have been little or no research into the potential impacts of spurious or self-declared claims, although the evidence suggests that these account for the majority of the claims that are considered to be unreliable in a range of studies.

Until there is agreement about best practice it is hard to see how consistent advice can be passed on to consumers to help resolve their own concerns about reliability.

4) What tools and measures exist that can address consumer confusion and/or impacts of unreliable claims?

Existing tools to improve consumer confidence in ethical claims can be broadly categorised into two types: tools designed to improve quality of claims themselves and tools designed to help consumers identify those claims that may be considered more reliable.

Recommendations

The study makes recommendations in two broad areas. Firstly, in relation to the research that would be needed to provide a stronger basis for determining effective policy approaches. Secondly, in relation to 'no regrets' actions that could be taken even on the basis of the current information.

Research needs

- 1. The study identified some significant confusion in relation to the criteria by which reliability of ethical claims is defined, in particular in relation to the requirements relating to the level of performance and selectivity of claims. This confusion is apparent in many reports and studies relating to the reliability of claims. We recommend that the main parties with an interest in ensuring confidence in ethical claims agree on a common approach to the measurement of the quality of ethical claims, and distinguish between different aspects of quality in subsequent studies and reports.
- 2. The issue of **selectivity** of claims (i.e., the relationship between broad life-cycle based approaches to ethical claims and narrower 'attribute' or 'phase' limited approaches) should be specifically examined. Such a study should take account of consumer expectations in relation to selectivity, expertise on the way to communicate effectively to encourage consumer action, and the overall impact of the range of claims to which consumers may be exposed. The aim of the study should be to develop best practice recommendations.
- 3. There is also a need for a better understanding of how claims based on different **performance** levels in fact compete or interact in the market. Research should be conducted to evaluate how the existence of 'weak' ethical claims affect the uptake of products carrying 'stronger' claims, and how the existence of a range of claims affects the overall ethical impacts of all such claims.

Providing reliable, consistent, and more accessible information about ethical claims

4. We recommend that all on-product ethical claims, whether third-party or self-declared, be accompanied by a website reference providing information that explains and verifies the claim. Some of the minimum requirements for information that must be made available on the website includes: definition of terms, the content of any relevant standard, whether it is verified by a third-party (if so by whom), etc. Consideration should be given to requiring that independently verified third-party claims be identifiable as such, and in a way that distinguishes them from self-declared claims, whether on- or off-product.

A common approach to the measurement of the quality of ethical claims is needed.

- 5. There are already a number of web-based tools that aim to provide objective comparisons of the value of different claims. The utility of these tools could be increased by consensus agreement on the key variables by which the quality of different claims may be consistently compared, and on the indicators by which the quality of particular claims can be objectively measured or scored. The quality variables identified for this study may be considered as a starting point (truthfulness, verifiability, ethical imagery or words, performance level, selectivity, clarity). We recommend that as many organisations as possible agree on a single set of variables to evaluate, a single approach to scoring or evaluating performance in relation to these variables, and agree on a single location where objective information about the broadest range of ethical claims can be consistently presented and be kept up to date in a range of languages.
- 6. Based on this kind of consistent evaluation system, it would then be possible to provide clear and consistent advice to consumers (e.g., brochures, other websites, etc.) that would help them identify both reliable and unreliable claims. It would also be possible to provide clear and consistent advice to retailers, manufacturers and those parties developing or promoting consumer focused claims as to how the quality of claims will be judged and therefore how to design claims that will be judged to be of high quality. Once such agreement has been developed, it would be appropriate to review and revise existing ISO standards to bring them into line with the new approach.



Assuring Consumer Confidence in Ethical Trade - Fact-finding Process Mapping Report, Executive Summary, June 2010

The report was prepared by Symbeyond Research Group. It represents the view of the authors and not necessarily those of the ETFP Steering Group or its members.

Context

The Ethical Fact-finding Process (ETFP) Steering Group commissioned Symbeyond to conduct a mapping of ethical trade initiatives relevant to the project objectives.

This Executive Summary presents the analysis of this mapping together with the conclusions stemming from it.

Aim and methodology

The ETFP proposed to develop a minimum requirements document for reliable ethical claims and tools to empower consumers to make informed purchasing decisions and to avoid potential confusion.

To identify possible synergies with and gaps in the spectrum of existing initiatives, a review of relevant initiatives was prepared. Within this review, two categories of initiatives were defined:

- initiatives that aim to set terms and/or criteria for ethical claims
- initiatives that compare ethical claims.

Initiatives were collected during a desk-based mapping research in which a matrix format overview and SWOT analysis were used to analyse the collected information¹. Around one hundred initiatives were reviewed, the most relevant of which were thoroughly analysed.

Major findings

General

The majority of initiatives found are focused on markets in developed countries. Furthermore, the majority provides information to consumers rather than actively guide them in the purchasing process. Although some initiatives make use of modern communication technologies and most have a website, many initiatives are not fully adjusted to the practical needs of consumers.

The majority of initiatives found are focused on markets in developed countries.

It seems that initiatives focus on the broad category of 'consumers' and assume that they will actively search for information to guide their purchasing decisions, instead of considering the different types of consumers, their behaviour, demands and specific needs.

Initiatives that compare ethical claims

This type of initiative is usually focused on consumers (including governmental agencies). Yet, they vary in scope and focus. Most are focused on (product) labels, whilst some focus on a broader range of claims, such as commercials or marketing in general. Different, yet related and relevant initiatives, focus on comparing products rather than claims. This type of initiative rates and compares products based on a range of criteria, thereby evaluating their 'sustainability performance'. Product labels are often used as input.

Although many different communication methods are used and we found several interesting examples, a large number do not seem efficient and effective. Often, an enormous amount of information is presented in an unattractive or otherwise unsuitable manner. Furthermore, many initiatives do not provide a comprehensive and complete overview of (the chosen type of) ethical claims. At the same time, most do not really compare, but rather list different claims. While providing information on the different claims, they do not actively guide consumers in choosing ethical products.

It is not always clear on which criteria a ranking or comparison is based. Besides this, criteria are often not weighted, but rather used to make a relative ranking or comparison. Criteria that are often used are:

meaningfulness transparency verifiability

consistency relevance

independency
participatory clarity (including protection
(including public feedback) or clearness against conflict of interest)

Initiatives that only list claims often describe the following aspects:

methods	organisation	relevance	criteria
---------	--------------	-----------	----------

Finally, there are several promising initiatives currently being developed. In The Netherlands alone there are three similar initiatives in their initial phase of development.²

We expect this to reflect international dynamics and therefore foresee that the coming year(s) will probably see an increase in such initiatives, and hopefully some harmonisation and/or a clustering of initiatives.

Many initiatives do not provide a comprehensive and complete overview of ethical claims, and it is not always clear on which criteria a ranking or comparison is based.

Initiatives that aim to set terms and criteria

In contrast with the initiatives that compare ethical claims These types of initiatives predominantly focus on companies or others who make ethical claims. Common types are:

- initiatives that guide businesses and are based on national regulation or international guidelines (or standards)
- initiatives that seek to develop and implement overarching standards for claims
- initiatives focused on self-regulation
- initiatives that aim to guide consumers and other stakeholders in how to distinguish between a 'false' and a 'proper' claim.

Initiatives that have a broad (multiple issue) focus tend to use procedural criteria, while those with a single issue focus also use substantive criteria. The first type is more common, and there is quite some overlap in the procedural criteria being used.

Both the ISO 14000 series and national legislation are often used as a basis for terms and criteria. Commonly used criteria are that a claim should be:

clear with distinctions between product and packaging	accurate	precise or with no generalisations
honest or truthful	having real impact	relevant
stated in plain language	verifiable	able to be substantiated

Related initiatives

There are several related initiatives that provide insights into current developments in the ethical trade field.

Examples include virtual marketplaces where only ethical products are traded, and specific training programmes for (future) shopkeepers that aim to educate them on how to inform consumers about ethical claims.

Existing cooperation

Although there are some interesting multi-stakeholder initiatives, we found few multi-stakeholder initiatives that offer consumers a concrete database in which they can compare ethical claims (although there are similar, but single-stakeholder, initiatives). There are several multi-stakeholder and internationally-oriented terms and criteria setting initiatives³.

Many initiatives make use of the framework provided by the ISO 14000 series and most use information from other initiatives but do not always make this explicit.

Broad multi-stakeholder cooperation is scarce, unless one takes into account the initiatives executed by existing multi-stakeholder organisations with wider purposes (e.g., ISO, ITC).

3. For example, GEDNET International Guide to Environmental Product Declarations (www.gednet.org), Global Ecolabeling Network (GEN), GENICES (www.globalecolabelling.net); Green claims working group - reference document for the development of environmental marketing claim guides by ICPEN (www.icpen.org); GSCP - Global Social Compliance Programme (www.gscpnet.com); SMETA - SEDEX Memebers Ethical Trade Audit (www.sedex.org.uk); GRI Reporting Framework (www.globalreporting.org); ISEAL Codes of Good Practice - Credibility Tools (www.sealalliance.org).

Procedural criteria refer to process aspects of ethical claims or to 'how a claim is made'. Substantive criteria refer to attributes of a claim or 'what is being claimed'.

SWOT analysis

Strengths

- Many different actors recognise the problem of the myriad of ethical claims and are actively trying to contribute to possible solutions.
- Regulation of (environmental) marketing claims is common and self-regulation is increasing.
- Many different actors seek or are open to some form of cooperation.
- The procedural criteria used by different initiatives are quite similar.
- There is a reasonably varied assortment of different initiatives and some use innovative approaches.
- Due to the multitude of initiatives, a lot of information is readily available via the Internet.

Weaknesses

- Although many initiatives are focused on consumers, few seem to communicate with consumers in an effective manner.
- Many initiatives lack basic user-friendliness and seem focused on consumers that are already interested enough to actively search for information on the Internet.
- Although many initiatives have similar goals, there are few efforts towards coordinating or harmonising on a global scale.
- There is no tool that utilises all the different initiatives by making them understandable, searchable and functional by providing insights into their scope and legitimacy.

Opportunities

- There are few initiatives that provide a truly comprehensive, easily accessible and useful overview of claims; the ethical claim landscape could therefore be changed (and improved) significantly within the coming years.
- In the past few years, the development of new communication technologies has created opportunities for new ways to reach and interact with consumers.
- The use of 'creative' communication or marketing offers another opportunity for effective communication.
- Regulation and self-regulation efforts can increase the general quality of ethical claims.
- Consumers are increasingly confronted with ethical claims and questions regarding sustainability; there is, therefore, a clear need for initiatives that support them in finding information and utilising it to make lifestyle choices.
- New ethical marketplaces arise, for example at Internet-based hubs.

Threats

- An abundance of guidelines, information or initiatives will paralyse consumers and companies.
- The distribution of resources, organisations and time over a range of similar initiatives could slow their development and fuel competition between organisations with the same general aims.
- Incomplete, vague or otherwise suboptimal initiatives can be confusing and discourage consumers rather than guide them.
- The underlying threat of those examples mentioned above, is that the proliferation of weak ethical claims will reduce consumer confidence or trust in ethical claims and thus undermine the efforts of ethical trade stimulating actors.

Gaps

There is an overwhelming amount of initiatives and a clear comprehensive overview is lacking. Furthermore, it is striking that although many initiatives are focused on the provision of information and guidance to consumers with regard to dealing with ethical claims, their communication efforts are not always adjusted to their target group.

Initiatives seldom provide comprehensive information about claims, and/or are often limited in the scope of claims they cover.

The majority of initiatives are focused on nondurable consumer goods (e.g., food, flowers, clothing). Their geographical range, furthermore, generally excludes developing countries and emerging economies.

One could say that there are not many standards around for standards. However, there is a wide selection of guidelines on how to make a proper ethical claim (i.e., procedural criteria for claims), and here a reasonable amount of overlap can be discerned.

The number of initiatives that aim to set standards for attributes for existing standards and labels is much more limited. Although it might be difficult to design and implement such a standard, it would improve the general quality of claims and support consumers in finding their way through ethical purchases.

Large multi-stakeholder initiatives are scarce, though there are quite a few initiatives that have been set up with several partners from the same background, for example, NGOs with more or less the same aims, different governmental departments or companies that share information through an initiative.

Conclusions

It is widely recognised that consumers need guidance in dealing with the multitude of ethical claims. The lack of websites and databases with a truly comprehensive coverage of claims and which provide sufficient information to be useful, is a serious gap.

Another striking deficiency is the lack of transparency concerning the basis on which comparisons are made. There is, furthermore, a lack of possibilities for consumers to provide input and feedback (directly on websites), limited use of innovative communication techniques (such as games and smartphone applications) and a lack of attractive and accessible formats used for website and databases.

Most initiatives are open to or actively seek cooperation with different stakeholders. Furthermore, we found several initiatives that encourage openness and information sharing amongst their members to develop best practice documents⁴. Although initiatives do cooperate and often use guidelines already prepared by other initiatives, overall there are few harmonisation efforts. An exception is the widely used ISO 14000 series guidelines, which are used as a reference document on which initiatives (partly) base their own guidelines and comparisons.

Consumers need guidance in dealing with the multitude of ethical claims.

Many initiatives compare ethical claims, yet relatively few choose to provide consumers with concrete advice (such as a rating) on what claim to choose. Although this approach is understandable, the risk is that consumers are swamped with too much or incomplete information. Initiatives, furthermore, often fail to provide information in an accessible and attractive manner (sometimes, this is merely a question of web design). Therefore, any initiative should carefully consider whom their specific target group is, what their own target is and what the best tools are to reach this target.

There is another growing group of initiatives that aims to harmonise the practices of those who make ethical claims, by setting terms and criteria. When these initiatives themselves abound, however, and do not sufficiently cooperate, they risk becoming part of the confusion.

One can discuss whether procedural criteria (how a claim is made) are sufficient to establish whether a claim is reliable. Matters of process are transparency, verifiability, truthfulness, or independency. What procedural criteria do not establish is what attributes (substantive criteria) are covered by the claim: whether it covers multiple issues or not, and whether it sets very stringent or 'light' standards. While these differences may be determinatives of a consumer's choice, reliability can be defined as only concerning, in short, whether a claim can be relied on to be true⁵.

There is a risk is that consumers are swamped with too much or incomplete information.

About the ETFP Steering Group



AFNOR Standardisation has the task, recognised as being in the public interest, of acting as the key operator of the French standardisation system. Thus, AFNOR Standardisation draws up the reference systems requested by the socioeconomic players in order to facilitate their strategic and commercial development. AFNOR Standardisation is a part of the AFNOR Group.



The **Brazilian Association for Standardization (ABNT)** was created in 1940, as a non-profit organization engaged in the preparation of national standards. ABNT is a founding member of the International Organization for Standardization (ISO) and, since 1940, has been a member of the International Electrotechnical Commission (IEC). ABNT has also contributed to the foundation of the Pan-American Standards Commission (COPANT) and has taken part in the settlement of the MERCOSUL Association for Standardization (AMN).



Consumers International (CI) is the only independent global campaigning voice for consumers. With over 220 member organisations in 115 countries, we are building a powerful international consumer movement to help protect and empower consumers everywhere. CI is a not-for-profit company limited by guarantee, and a registered UK charity. For more information, visit www.consumersinternational.org



Fairtrade Labelling Organizations International (FLO) is a non-profit multi-stakeholder organization. FLO is responsible for the strategic direction of Fairtrade, the Fairtrade standards and producer support. The FAIRTRADE Certification Mark is a registered trademark of FLO which shows that a product meets international Fairtrade standards. More at www.info.fairtrade.net



The **ISEAL Alliance** is the global association for social and environmental standards systems. ISEAL members are leaders in the field, committed to creating solid and credible standards systems. Working with established and emerging voluntary standards initiatives, ISEAL develops guidance and facilitates coordinated efforts to ensure their effectiveness and credibility and scale up their impacts. ISEAL's Codes of Good Practice are international reference documents for credible social and environmental standards. Compliance is a membership condition. For more information, visit www.isealalliance.org



ISO is the International Organization for Standardization. It has a membership of 159 national standards bodies from countries large and small, industrialised, developing and in transition, in all regions of the world. ISO's portfolio of more than 18100 standards provides business, government and society with practical tools for all three dimensions of sustainable development: economic, environmental and societal.



The **World Fair Trade Organization** (www.wfto.com) represents organisations operating in 70 countries across 5 regions with a 100% Fair Trade commitment, with the common goal to enable small producers to improve their livelihoods and communities through sustainable Fair Trade. It does this by delivering market access through policy, advocacy, campaigning, marketing and monitoring. The WFTO is represented on the ETFP by the Fair Trade Advocacy Office (www.fairtrade-advocacy.org).