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ECOLABELLING: A MARKETING TOOL

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ABSTRACT

Eco-labelling is a worldwide voluntary system of environmental performance certification and labelling that works by bringing together three sectors: industry, customers, and the eco-labelling authorities. Consumers are becoming more conscious of environmental and social concerns and they are seeking for items which are much more sustainable, ethical and made out of recycled components. Eco-labelling was created to offer shoppers with the information necessary to make wise purchase decision when buying. As a result, eco-labelling serves as a preventative measure by giving ecological details regarding the product that is available to customers.

INTRODUCTION

Consumers are becoming more conscious of environmental and social concerns, and they are seeking for items that are more durable, fair, and made from recycled materials (Chen and Chang, 2013). When picking between similar brands, for example, buyers consider the items' environmental or social performance to help them make their decision (Peattie, 1999). As a result, businesses are attempting to capitalise on this trend by providing more environmentally friendly products and services (Chen and Chang, 2013).

An eco-label is a "new" type of environmental policy tool that emphasizes the significance of information in communicating a product's environmental effect throughout its full life cycle, including manufacture, distribution, consumption, and/or disposal (recycling). The fact that the ecolabel is issued by an impartial third party who is not influenced by the firm seeking certification ensures this environmental choice. (Bougherara and Combris, 2009; Clemenz, 2010).

Eco-labels are anticipated to encourage organic products and provide them a competitive edge from a business standpoint. In the context of the customer, eco-labelling is intended to alleviate any concerns individuals may have about a product's environmental effect, as well as to assist them in selecting items that do less environmental damage over their whole life cycle. (Network et al., 2004).

To guide society toward sustainability, consumers, procurement professionals, and producers must have access to relevant and sufficient environmental information about products (which includes physical artefacts, software, processes, services, and combinations of these) as well as organisational performance as a whole.

DEFINITION/ MEANING OF ECOLABEL

The eco-label is a form of consumer marketing communication (Rex and Baumann, 2006). It can be defined as "any symbol appearing on product packaging that seeks to inform consumers that a particular product is in some significant way less harmful to the environment than purchase alternatives" (Tang et al. 2004).

The International Standards Organization (ISO) defines ecolabels as the labels that "provide information about a product or service in terms of its overall environmental benefits, such as the recyclability of its packaging, or the absence of noxious ingredients".

"Ecolabelling" is a worldwide voluntary accreditation and labelling procedure for environmental performance.

ORIGIN OF ECO-LABELLING

The Blue Angel was the first eco-label, and it was developed in Germany in 1978 to help customers who wished to support the development and use of environmentally friendly products. Following that, in 1988, the Environmental Choice ecolabel, now known as the EcoLogo programme, was developed in Canada. In determining which items were the most ecologically beneficial, both used a lifetime approach. After 10 years, there was a surge in the number of ecolabelling projects. According to the Ecolabel Index, there are currently 455 eco-labels on the market.

LITERATURE REVIEW

Consumer desire for transparency on a product's quality, durability, long term consequences, ethical manufacturing, and certain other manufacturing processes led to the development of eco-labels (McEachern, 2008; Moussa & Touzani, 2008). Constant exposure to the eco-label may prompt buying behaviour, leading to awareness and, in return, a desire to learn more about the eco-label, the product, and its features (Hoek et al., 2013). Governments have attempted to promote responsible environmental practises in recent years by using a command-and-control approach in which they specify standards and technologies to govern industrial production (Potoski and Prakash, 2005) and a market-based approach involving tax incentives and trade permits (Aggeri, 1999).

According to Grolleau and Caswell (2006), the information asymmetry resulted in the establishment of two forms of opportunism: ex ante and ex post opportunism, which are the primary causes of market failure. Ex ante opportunism, according to the authors, corresponds to the adverse selection problem that might develop when certain manufacturers give deceptive labelling regarding their goods' responsible features. Ex post opportunism is a moral hazard issue that develops when manufacturers do not do all necessary to achieve a quality level. Eco-labelling can resolve such market failures by eliminating information asymmetry about product quality (Lusk et al., 2007; Mason, 2006). Eco-labelling transforms a credence attribute into a search attribute and therefore helps consumers to make successful selections based on reliable information (Grolleau and Caswell, 2006), improving transparency and consumer trust in environmental and social claims (Thøgersen, 2002).

Eco-labelling is a market-based instrument in part, and Hillary (1995) considered its adoption to be the most innovative development in EC environmental policy because market instruments seek to internalise external costs by raising consumer and producer awareness of the need to use natural resources responsibly and the importance of minimising and avoiding waste and pollution.

Product labelling schemes attempt to present customers with trustworthy information that will convince and enlighten them without requiring them to make substantial cognitive effort to investigate a product's green credentials. Eco-labels, like other signs and prompts, are a way of informing consumers about more sustainable product options and advising them on how to use the product more sustainably by communicating attributes such as reusability, reparability, and recycling (Leire and Thidell, 2005; Meis and Kashima, 2017). Eco-labels are therefore a tool for modifying customer behaviour by directing them to make more environmentally responsible purchasing decisions (Marrucci et al., 2019).

Consumers have the ability to lessen the detrimental effects on the environment of their purchase by making proper choices, which they appear to understand. Sustainable marketing tactics are essential for businesses to stand out in the industry (Kearney, 2014), as well as for customers to make more educated purchase decisions. As a result, it's critical that businesses correctly and effectively explain their environmental credentials (McDonagh and Prothero, 1997).

Product eco-labels tell consumers about efforts made by companies to reduce environmental effect, based on the goods and main environmental harm. Paper from a regulated forest is an example of a product; in the instance of a service, airlines sell carbon emissions offsetting services as a value-added service to transportation i.e., planting a tree with your flight (Miranda-Ackerman and Azzaro-Pantel, 2017).

MAIN BODY

AIMS OF ECO-LABELLING

FIRST AIM- To raise consumer awareness of the impact of their consumption on the environment and to urge them to adopt a more sustainable mindset.

SECOND AIM- To encourage the government, manufacturers, and other providers to provide environmentally friendly services and products. As a result, it's feasible to claim that the purpose of eco-labelling is to build demand for more environmentally desirable items and to compel manufacturers to produce things that meet those expectations.

ESSENTIAL FEATURES THAT ECOLABELLING SCHEMES MUST HAVE: -

- It is entirely optional to participate in the ecolabelling system. Ecolabels give items that meet greater environmental protection requirements recognition (and a competitive advantage).
- The label should make it apparent that the award-winning product outperforms average items in the same category in terms of environmental performance.
- The certification scheme should be independent of the certified firm and third-party.
- A trustworthy ecolabelling system is founded on scientific facts. Ecolabels are intended to make technical information regarding environmental performance more accessible to the general audience. It should be periodically updated to reflect the most recent technology advancements.
- Ecolabels are based on life cycle considerations, which implies that all parts of a product's life cycle are considered, including design, manufacture, performance, and maintenance, as well as disposal.
- The credibility of an ecolabelling system is generally ensured by a wide number of stakeholders participating in the development of environmental standards. Industries, political, and store representatives are usually present.

HOW ARE ECOLABELS AWARDED?

- Every country's certification procedure is fairly consistent. Applicants pay an initial fee to the ecolabelling organisation and give all of the needed technical information about the product they want to certify. Application costs are often vary based on the size of the company, or they are reduced for applicants from underdeveloped nations.

In certain circumstances, the ecolabelling organisation conducts or directs inspection, tests, or audits to ensure compliance. The ecolabel is given to a product if it complies with the scheme's standards. The use of the label normally comes with an annual cost, and certification must be updated on a regular basis.

EXAMPLES

1. **ECOMARK**

- Ecomark is a non-profit organisation that certifies ecologically friendly consumer items. Its eco-labelling requirements use a cradle-to-grave approach, starting with the extraction of raw materials and continuing through manufacture and disposal. Since 1991, it has been the Indian government's mark of approval for items that fulfil the Bureau of Indian Standards' quality and environmental criteria (BIS).
- The Ecomark Logo is a trademark of Ecomark, Inc. An earthen pot represents the Ecomark concept, which makes use of a natural resource such as soil, produces no hazardous waste, and uses less energy in the process. It conveys its environmental message, and the picture has
- the power to reach out to people in order to spread awareness and the need to be environmentally conscious.

Product Categories identified in the Ecomark Scheme

1. Aerosol Propellants
2. Batteries
3. Dry Batteries
4. Cosmetics
5. Electrical/Electronic Goods
6. Fire-extinguisher
7. Food Additives
8. Food Items: Edible Oils, Tea and Coffee
9. Leather
10. Lubricating Oils
11. Packaging Materials
12. Paints
13. Paper
14. Plastic Products
15. Soaps & Detergents
16. Textiles
17. Wood Substitutes

The EcoMark is awarded to those consumer goods if they meet the relevant standards of the Bureau of Indian Standards and specified environmental criteria.

ECOMARK CRITERIA

The primary environmental implications of the items that are up for certification will be assessed:

1. When compared to equivalent items in terms of consumption, manufacture, and disposal, they have a far lower potential for pollution.
2. They are recyclable or composed of organic or recycled materials.
3. They contribute significantly to the preservation of non-renewable resources.

PROCEDURE FOR ECOMARK APPLICATION

- **Making an application:** To obtain this label for their products, the producer must first submit an application to the Bureau of Indian Standards. A distinct application must be submitted for each product.
- **Specified Form:** The application must be submitted in the prescribed form along with a fee of Rs 500.
- **Inspection of the premises:** When the BIS receives the application, it will perform a validation of the premises.
- **Testing**: If correct processes are used in the production process, BIS will approve the product. A different laboratory would receive samples relating to the tests. The applicant is responsible for all costs associated with the testing.
- **License granted**: - After that, if the premises meet all of the essential requirements, an Ecomark licence will be given.

- **Post Inspection**: - Surprise inspections may be conducted by the BIS at its discretion to make sure that product norms, sampling conformity, and other testing requirements are met.

2. GREENPRO

GreenPro is a product certification offered by the Confederation of Indian Industry, an industry organisation dedicated to assist environmentally aware customers in making more ecologically friendly decisions. For certifying items, the certification follows a comprehensive lifetime strategy. This implies that the product is inspected from the beginning to the end of its life cycle. GreenPro certification focuses on green construction items, industrial equipment, and technology, among other things.

3. INDIA ORGANIC

The National Programme for Organic Production (NPOP), designed by the Indian government, is a labelling standard for organically grown food. In 2002, the certification mark was created. The India Organic certification requirements guarantee that the product or its raw materials were grown solely via organic farming, in accordance with organic production standards, and without the use of chemicals such as fertilizers or pesticides.

4. BEE Star

BEE Star Label is an energy efficiency initiative sponsored by the Indian government's Bureau of Energy Efficiency, which is part of the Ministry of Power. The programme gives data on how much energy items and gadgets consume. In May of 2006, a programme to rate electrical appliances was launched. Air conditioners, ceiling fans, color televisions, computers, refrigerators and freezers, water heaters, washing machines, office automation products, diesel generator sets, LED lamps, microwave ovens, and other electrical appliances are now covered by the labelling scheme.

5. ECOCERT

Ecocert is a non-profit organisation that certifies sustainable development. It is a French inspection and certification agency founded by agronomists who recognise the need of developing ecologically friendly agriculture. Ecocert has aided the growth of organic agriculture. Ecocert, which has been dedicated to organic farming from its inception, has now expanded its efforts to include homecare, textiles, forests, and cosmetics. It is an ISO member.

6. ENERGY STAR

This label, which is overseen by the United States Environmental Protection Agency, denotes homes and buildings, as well as appliances, computers, lightbulbs, printers, furnaces, and other products, that meet stringent energy-efficiency guidelines, saving energy and money while also protecting the environment. The ENERGY STAR label ensures that products satisfy stringent energy-efficiency criteria set by the US Environmental Protection Agency, reducing greenhouse gas emissions.

7. EU ECOLABEL

A voluntary initiative aimed at encouraging firms to advertise environmentally friendly products and services to European customers. The European Commission is in charge of it. It belongs to the Global Ecolabel Network. The following product categories are covered by this ecolabel: construction materials, electronics, and textiles.

KEY BENEFITS OF ECO-LABELLING

- Market transition towards environmentally friendly items: Ecolabelling stimulates the market penetration of environmentally friendly products and educates customers about the environmental and economic benefits of buying green products. As a result, it encourages a shift in purchasing habits, eventually clearing the market of inefficient and environmentally damaging items.
- Consumer choice will be informed, which will benefit in consumer decision-making and the adoption of environmentally friendly and efficient appliances.

- Encourage continual improvement: All Ecolabelling-labelled items are obliged to maintain a high level of environmental performance and to adapt in order to meet with new legislation and standards.
- Promoting economic efficiency: The introduction and widespread use of ecolabelling will assist manufacturers and industrial bodies in streamlining their operations, potentially lowering costs and increasing efficiencies. Adherence to an ecolabel's requirements aids producers in integrating environmental responsibility into their processes.

CHALLENGES TO ECOLABELLING

- When an ecolabel is false or fraudulent, it has no value to the environmentally conscientious buyer. "Recyclable," "biodegradable," and "ozone friendly" are all terms that must be utilized correctly. Customers would get confused and repelled even of genuine claims if claims are utilized indiscriminately in advertising and labelling.
- Unfair competition is an issue for certain businesses. They are apprehensive and unwilling to put their faith in the certainty of an international ecolabelling scheme. In order to make a profit, certain businesses may purposefully portray their products as environmentally friendly. For those businesses that must invest time and money to comply with rules, this amounts to unfair competition.
- Another issue is that only a tiny number of items can truly be classified as "green." Because ecolabelling initiatives will not include the vast majority of items.
- Although marketers use seals, signs, and symbols in eco-labels to demonstrate environmentally beneficial items, customers are still hesitant to purchase them. It occurs because the buyer is ignorant of the seal, mark, and symbols.
- Limited environmental information disclosure and representation of ecolabel may lead to customer confusion or hesitation throughout the purchasing process.

INTERNATIONAL ORGANIZATION FOR STANDARDIZATION

The International Organization for Standardization (ISO) is a global federation of national standards organisations representing 165 nations founded to encourage standardization progress. The standards protect consumers and end-users of products by guaranteeing that certified items meet internationally agreed-upon minimum criteria.

Within the ISO 14000 framework, ISO has defined standards for labelling procedures.

The ISO has attempted to standardise the ideas, processes, and fundamental characteristics of three primary forms of voluntary environmental labelling–

Type I - ecolabels

Type II - self-declaration claims

Type III - environmental declarations (e.g., report cards/information labels).

Type I (ISO 14024 standard)

The "classic" ecolabel that evaluates the environmental quality of a product compared with other products of comparable function. This type is:

- Designed to be consumer friendly and informative
- Awarded by a certified third-party program
- Often government supported
- Certification is granted for a specific time period after which the product needs to be recertified

Type II (ISO 14021 standard)

Claims by manufacturers, importers, retailers or distributors about environmental characteristics of a product or service. This type is:

- self-declared
- Focuses on a particular quality of a product e.g., compostable, designed to be dismantle, recyclable, energy efficient.
- Not independently certified
- Should be verifiable (but is not always)
- Can raise questions about the validity of certification when unverifiable.

Type III (ISO 14025 standard)

Voluntary programs that provide quantified data on the environmental impact of a product. This allows easy comparison across multiple products due to quantified data. These labels are still in development. This type:

- May or may not be third party certified
- Often B2B in nature
- Facilitates drawing independent conclusions about the sustainability of product
- Consumers can undertake their own comparative analysis.

GLOBAL ECOLABELLING NETWORK

- The Global Ecolabelling Network (GEN) was founded in 1994 as a worldwide non-profit platform of third-party ecolabelling organisations set up to support and encourage the growth of ecolabelling across the world. More than 50 areas and nations are represented in GEN, with a special concentration on Europe and Asia. The objective of GEN is to inform and persuade government, business, and consumers to understand Type I ecolabelling's unique and vital significance.

INTERNATIONAL SOCIAL AND ENVIRONMENTAL ACCREDITATION AND LABELLING ALLIANCE (ISEAL)

- The International Social and Environmental Accreditation and Labelling Alliance (ISEAL) was founded in 2002 as a group of sustainability standard organisations dedicated to advancing and developing sustainability standards for products throughout the world. Accreditation bodies that demonstrate their capacity to fulfil the ISEAL Codes of Good Practice and associated standards are eligible to join. The ISEAL Alliance's aims are to enhance standards' effects, clarify sustainability standards' authenticity, boost the acceptance of reliable environmental standards, and strengthen standards' efficacy.

CONCLUSION

In India, ecolabelling is still in its infancy, and the idea is unfamiliar to the general population. Issues linked to ecolabelling should be widely discussed in order to stimulate the manufacture and use of environmentally friendly products. Labelling is one approach for providing information so that customers may analyse a product's environmental identifications and compare them to those of rival items from a marketing standpoint. Ecolabels assist consumers in making more informed buying decisions by expressing environmental advantages.

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