

Case study: Sustainable production certification methods

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Abstract: This article describes the linking of different fairtrade programmes and certifications with retailers' own brands. The last two decades have seen a growing share of private labels in both retail and wholesale environments for several reasons. Reasons include difficult to predict socio-economic crises such as COVID 19, the political impact of the war in Ukraine, the current energy crisis and the economic crisis that took place between 2008 and 2012. It could be argued that these crises provide fertile ground for the development and growth of private label, with consumers looking for more cost-effective substitutes for mainstream branded products. However, this article will not look at the growth of private label share due to the crises, but rather at the linking of private labels in the case studies in relation to different fairtrade practices, programs or certifications. The aim of the paper is to analyse market trends at the level of the use of certified sustainable commodities in private label products.

Keywords: Case studies, fair trade, private label, programmes, certification

JEL Classification: Q01, M31

1 Introduction

Although private labels have long been synonymous with something of poor quality (Šalamoun et al, 2014), according to Nielsen (2019), the share of private labels is gradually increasing to around 23% in the Czech Republic. In other countries, however, the share of private labels in retail is even higher (MediaGuru 2019). In the Czech Republic, private label accounts for almost fifty percent of total sales in the discount sector. In the European Union as a whole, the share of private labels in retail has been increasing for a long time. In some EU countries, the share of own brands of retail companies accounts for up to 40 % of the assortment offered to customers (MediaGuru 2020). Recently, they have played an important role in the competitive struggles in retail and wholesale markets not only in the Czech Republic but also in other European countries.

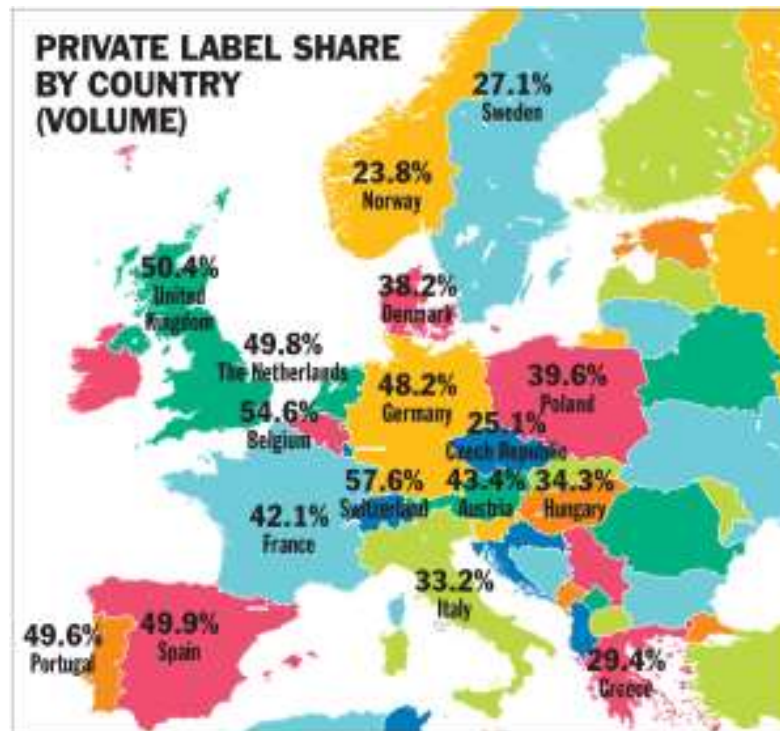
According to Čepelíková (2022), private labels, such as those available for purchase in various chains in our country, have already become a common part of our shopping carts. Often we may not even be aware that it is own brand. Whereas years ago, private labels were characterised by garish packaging (for example, Globus' Korrekt in bright orange), today, even economy-class private labels come in modern garb.

Although own brands have long been perceived as a cheaper alternative to classic brands, the share of own brands is steadily increasing not only in the Czech market but also in the markets of other European countries, according to Slaba (2021). The actual increase in the share of private labels in the Czech market is illustrated in Figure 1.

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Figure 1 Private label share by country



Source: PLMA (2022)

The value share of Private Label in Europe (28%) declined (-0.5%) in 2021, according to NielsenIQ's data across 32 European markets, as reported during PLMA's pre-show seminars on 30 May. In the context of the Covid pandemic, consumers in West Europe continued to maintain their spending power but had limited possibilities to spend. This boosted premium in-home consumption at the cost of Private Label. In South European markets, this was less the case and resulted in increased Private Label share for Spain and Portugal. In Eastern Europe, Private Label share continues to grow. Strongest gains were seen in Czech Republic +2.1 % and Hungary +0.6%, keeping their positive momentum of the past 4 years. Poland remains above 30% but declined with -0.4% (PLMA, 2022).

Merchants' private labels don't have to be just status compared to other branded products. Levy a Weitz (2009) described the differences between national brands and private labels: buying from vendors of national brands can help retailers build their image and traffic flow and reduce their selling/promotional expenses. When it comes to product quality, most consumers see virtually no difference between private label and familiar national brands.

Private labels can also be a trend setter in areas of sustainable consumption. A typical example that we already see today is the linking with Fairtrade International's programme certifications or other certifications such as UTZ or Rainforest Alliance.

Fairtrade International certification is in the realm of global certification organisations. Fairtrade International is not a direct certification organisation, this is done by FLOCERT or FLO, which was set up to oversee compliance with the rules set by Fairtrade International. At its core, it promotes sustainable business or farming and ensures that fair conditions are met worldwide. It also ensures the integrity of production and trading practices throughout the supply chain to help primary producers, traders and brands become truly sustainable. Over the past decade, credibility with this certification body has grown thanks to the never-ending work of the certification process. The company's paradigm is based on a holistic approach that both ensures the possibility of a diverse range of certification options for products, raw materials or production processes, and measures impacts depending on what is and is not right for a business in the Fairtrade system (FIOCERT, 2011). In addition to overseeing compliance related to the Fairtrade® certification mark, the organization also handles various programmatic modalities such as the Cacao Program, Flower Program, Banana Program, Rice Program and others. FIOCERT also carries out regular audits, both on the basis of physical inspection and through accounting checks of all areas that are relevant to the production and processing of Fairtrade products. The company audits the following:

Figure 2 Areas audited by FLOCERT



Source: Modified from FLOCERT (2011)

The Rainforest Alliance and UTZ, like Fairtrade, strive to set fair conditions for both producers and the preservation of biodiversity in areas of developing countries.

As the impact of human activities increasingly degrades the quality of the environment, the role of conservation is becoming increasingly important. In agricultural areas, however, this protection must be balanced against the competing economic needs for agricultural production. Agriculture is a significant activity that contributes to environmental degradation and is one sector where research has focused on practices that can reduce the level of degradation (Bellamy et al., 2016).

A new finding of this paper could also be that a few years ago, the two types of certification such as Rainforest Alliance and UTZ were merged into a certification called UTZ-RA. Dual certification can refer to the case where a farmer cooperative implements two different certification systems simultaneously in order to produce certified products under two separate certified labels. Producers who adopt the UTZ-RA certification rules have the opportunity to market their products using two certified labels, thereby reducing the risk associated with increasing valuable or marketing costs. In the literature, most of the impact evaluation studies mainly focus on the purely economic and environmental impacts of voluntary sustainability programs (Jena et al., 2012, Ranjan Jena and Grote, 2016).

From the above, it is evident that the trend carrier in the areas of sustainable consumption may not only be the interdependence of private labels with FLO. It can also be other types of certifications such as UTZ, Rainforest Alliance or the UTZ-RA dual certification. These and other certifications in conjunction with self-labels will be analysed in the results section.

2 Methods

The aim of the paper was to evaluation market trends in the use of certified sustainable commodities in own-brand products. In order to meet the objective of the article, it was necessary to make a comparison of the issues related to this content through literature sources available from different databases (Web of Science, Science Direct, Proquest, Ebsco and others).

In order to meet the objective of the paper, the case study method was used to evaluate sustainable private label products. According to Stejskalova et al (2008), case studies can illustrate or validate research models in specific organisations, especially in cases that are significantly different or unique.

Case studies are one of the forms that belong to effective business strategies What do we mean by case studies? There are a number of definitions of the term case study. Yin (2012) describes case studies as complex examples that give insight into a range of corporate contexts with existing problems. Similarly, there are also case studies that take the form of a single central theme (Simons, 2009). In many cases, a case study is conceptualised as a situation focused on a specific topic, involving both the theoretical aspect of a problem Smith (1988) and its manifestation in applied form in a specific

setting (Stake, 1995). According to Mills et al (2010), it can focus on, for example, a specific solution to a problem situation in economic, managerial or business practice.

Although the use of case studies for scientific research appeared sporadically in the 19th century (Mares, 2011), according to Johansson (2007), it was not until the 20th century that it began to be fully exploited. Johansson (2007) postulates two distinct research traditions that developed in parallel but separately for many decades. On the one hand, it was the positivist tradition (statistical analyses of archival data, public opinion surveys), and on the other hand, it was the hermeneutic tradition (anthropological research). According to Johansson (2007), the first generation of research case studies included fieldwork by American sociologists who used techniques familiar from cultural anthropology to study society. They are known as the Chicago School. Then, logical positivism took over the research field and its era in research peaked after World War II. Then, as its influence waned, space gradually opened up for the next stage. In the second half of the 1960s, according to Mares (2011), quantitative and qualitative approaches gradually began to converge and a second generation of research case studies emerged. In these studies, the two approaches had already begun to be used together, albeit in different proportions to each other. The era of the mixed approach was beginning and has intensified in the 21st century.

The case studies were divided into individual cases represented by selected programs and certifications.

3 Results

To assess the sustainability of private label products, case studies of Fairtrade programmes and other certification labels will be used. In the case of the Fairtrade programmes, it is always a matter of ensuring that the main raw material contained in the product meets the conditions of FLO certification. For other certifications, it is based on their own rules that determine the certification of a given commodity or product.

Case study1 Fairtrade Cocoa Programme

Cocoa is one of the most important commodities on the world market alongside oil and coffee and is characterised by price volatility. Despite growing demand, the income of smallholders is not enough to support their families. Child labour is widespread, particularly in West Africa.

The European Union is one of the world's largest importers of cocoa. Central African countries, including Côte d'Ivoire, Ghana and Cameroon, are the most concentrated cocoa growers. Here, cocoa cultivation is the main source of livelihood for several million farmers and indirectly contributes to the livelihoods of tens of millions more. Cocoa cultivation is the main source of income in the Global South. In the main cocoa-growing areas of West Africa, most cocoa is grown by smallholders on plantations of a few hectares. Most cocoa farmers in these countries live below the poverty line.

In 2018, fairtrade cocoa consumption increased on the Czech market, with a total of 1,420 tonnes sold, mostly in the form of chocolate and confectionery. This is a continuing consequence of the introduction of the Fairtrade cocoa programme, which has been in place since 2014, simplifying the conditions for processors to produce Fairtrade cocoa products and giving cocoa farmers more opportunities to market their produce under Fairtrade conditions. As a result, Fairtrade cocoa products are increasingly being used by major retail chains under their private labels. The leader in Fairtrade cocoa is Lidl, which sold 584 tonnes of Fairtrade cocoa beans during 2018, increasing sales by more than 200% compared to 2017. However, Gunz saw the biggest jump in sales (in 2018, it sold confectionery made from 177 tonnes of fairtrade cocoa, compared to just 753 kg in 2017). The third largest seller of fairtrade private label cocoa in 2018 was Penny market (155 tonnes of cocoa, eight times more than in 2017) (Fairtrade Česko a Slovensko, 2019). Although the Penny supermarket chain was the third largest seller of fairtrade cocoa, one of the best-known private labels in fairtrade cocoa is Kaufland's K-Clasic. These are chocolate products in the form of chocolates, chocolate spreads and biscuits. The Lidl chain is similar. It offers, for example, fairtrade cocoa in the private label Way To Go products in the form of Fairtrade chocolate. This is made from sustainably grown cocoa from Ghana. Ghana is the world's second largest producer of conventional and certified cocoa.

Case study 2 Fairtrade programme for cotton

Cotton is largely grown in countries of the Global South. Due to subsidies for cotton cultivation in the Global North, the price of cotton is kept artificially low, this harms growers in the Global South who do not receive any subsidies. By purchasing cotton textiles with the FAIRTRADE® label, you will be making a significant contribution to improving the living and working conditions of cotton growers in the Global South and supporting environmental protection.

Sales of Fairtrade cotton have seen the largest percentage increase in the Fairtrade cotton programme. These increased by 317% year-on-year to 217 tonnes last year. The increase in consumption was mainly driven by the Kaufland chain, which purchases Fairtrade cotton workwear for its employees, Lidl and the dm drogeriemarkt drugstore chain, which offer Fairtrade cotton shopping bags in their stores, and the bedding manufacturer Dibella. Worldwide, around 100 million households in 70 countries are involved in cotton production. Cotton is an important source of income, especially for people in West and Central Africa, India, Pakistan and Central Asia (Fairtrade Czech Republic and Slovakia, 2019). The certification of fairtrade cotton does not belong much to the area of private labels, rather it is used in the clothing of employees of the Kaufland and Lidl retail chains.

Case Study 3 UTZ Certification

UTZ is a global programme for the sustainable cultivation of coffee, cocoa and tea. Companies that have committed to sourcing (sustainable) UTZ raw material are global brands and retailers. The aim is to improve the livelihoods of farmers as much as possible. UTZ is a certification standard that enables compliance with requirements for working conditions, good agricultural practices and environmental compatibility of production from retailers to customers.

The requirements of the independent certification bodies include good agricultural practices and management of producer enterprises, safe and healthy working conditions, addressing illegal child labour and protecting the environment through sustainable farming practices. The UTZ label on the product presents the brand in support of sustainable agriculture.

The UTZ certification could be found on products of retail chains such as Albert, Lidl, Penny, Billa and others until 2020. This certification system allowed the UTZ logo to be placed on the private label product of a given chain after meeting the above certification criteria, similar to the Fairtrade programmes.

The UTZ certification program is now part of the Rainforest Alliance system. UTZ Certification teamed up with the Rainforest Alliance in 2018 to, on the one hand, create a better future for people and nature and, on the other hand, be an even better partner for the many stakeholders it works with. Since the merger, the UTZ certification program and the Rainforest Alliance certification program have been running in parallel. At the same time, a new agricultural standard has been developed that builds on the strengths of both organisations and decades of combined experience (Rainforest Alliance, 2020).

As well as fairtrade cocoa, other chocolate products under the private label K-Classic can also be found in Kaufland that contain UTZ certification. Thanks to this certification, Kaufland customers can indirectly contribute to improving the social and economic conditions of the farmers in the countries where the cocoa comes from. The aim here is therefore to make the production of sustainable cocoa the norm, not a super-standard. Thanks to the growing demand for certified products and ongoing education and advice in the countries where the crops are grown, this process can be greatly accelerated.

Case Study 4 Rainforest Alliance Certification

The Rainforest Alliance is a non-profit organisation based in New York. It aims to conserve biodiversity through the application of sustainable development practices in agriculture, forestry, tourism and other sectors. The Rainforest Alliance certifies coffee and other products and services if their production or provision follows certain standards.

Rainforest Alliance Certified, or Green Frog, is awarded to foods, beverages and foods for special diets, according to Jaderna and Volfova (2021). Frogs are a symbol of environmental health. Also, certified products with the green frog logo signify a farm, forest or tourist area that has been audited and meets standards requiring environmental, social and economic sustainability. The audit is carried out on a regular basis and builds on the principles of sustainable production.

In general, Rainforest Alliance standards are set to protect the environment and workers' rights. The basic rules are called the Sustainable Agriculture Standards (Kávové listy, 2021).

The certification systems are designed to provide greater value to the several million farmers and workers and thousands of businesses that use Rainforest Alliance certification to promote more sustainable agricultural production and responsible supply chains. As the impact of human activities increasingly degrades the quality of the environment, the role of conservation is becoming increasingly important. In agricultural areas, however, this protection must be balanced against the competing economic needs for agricultural production.

The symbol of this certification is the green frog, symbolising environmental protection. The Rainforest Alliance logo can be found on a range of products, both private label retailers and brands of tea, coffee, cocoa, banana and nut producers. These commodities are among the most common items certified by the Rainforest Alliance.

The Kaufland chain is not lagging behind in this other certification, which is the Rainforest Alliance. The Rainforest Alliance Certified seal can be found on products such as the private label K-Clasic, which contain raw materials from the rainforest (citrus, bananas, cocoa, tea and more) and are grown with respect for ecological, social and economic requirements.

Discussion

The positive aspects of the above certifications are undoubtedly the voluntary opportunity to improve the producers' living conditions, to prevent child labour, to enable producers to earn a living from their own work and, last but not least, to contribute to the protection of the environment.

The negatives or weaknesses of the various certifications are their credibility, or a certain convincingness as to whether people really believe that the organisations that own and issue the certification criteria are acting ethically and that there are not frequent problems that would have the effect of bringing the various certification schemes into disrepute.

The creation and set-up of any certification process is very complex. While there is a certain amount of voluntariness involved, there are rules to be followed. However, this article has not addressed those rules. For this purpose, other methods would be needed to uncover perhaps the weaknesses of the certifications mentioned that may exist.

4 Conclusion

In this paper, different ways of sustainability standards have been analysed. The first two case studies concerned Fairtrade programmes for cocoa and cotton. In addition to these programs, there are others such as programs for rice, roses and bananas. Next, the paper analysed other sustainability pathways such as UTZ certification and Rainforest Alliance.

The aim of the paper was to evaluate market trends in the use of certified sustainable commodities in private label products. The methodology for assessing market trends was case studies that analysed individual cases of different Fairtrade programmes and certifications.

From the information provided, it is not possible to generalize too much about the impact of sustainable commodity certifications on current market trends. The conclusions are only supported by the figures given in the results, which declare that many trade operators are using modern trends in sustainability, and not only for private labels. For clearer answers another research method, a questionnaire survey or focus group, would be needed.

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