Sustainable cotton on the shelves
A handbook for the mainstream retail
Foreword(s)

As a mainstream retailer, we want to make sustainable cotton broadly available to our customers at an affordable price. Given the current extent of social, economic and environmental issues related to the cultivation of cotton, we feel a responsibility to stimulate the demand for sustainable cotton. We are willing to initiate cooperation with our suppliers and other retailers and stakeholders to jointly design optimal ways to channel sustainable cotton from the field to the consumers. We believe that our efforts will generate awareness amongst our customers, and will help them to make informed choices about the cotton products they buy.

de Bijenkorf, HEMA, VGT, April 2009

Cotton is a water-intensive crop that is usually grown in dry regions so as not to damage the eventual quality of fibre. Add to that the heavy use of pesticides, subsidies between rich and poor countries, and labour issues from the farm to the retailer, and cotton becomes a product with considerable social and environmental impacts. Fortunately there are ways to make cotton more sustainable. We hope this Handbook will encourage Retailers and Clothing and Textile Brands in the Netherlands to take positive steps to contribute to this important goal.

WWF, April 2009

Life is about making choices. Each day we choose what to wear. We choose which clothes to buy. But these choices depend on what retailers have decided to put on offer. Retailers’ business choices largely determine consumers’ options. Incorporating sustainable development such as poverty alleviation and reduced pesticide use into the main component, cotton, depends on retailers’ choices of what to sell and what to procure. Only supply chain and marketing choices in the cotton mainstream business will make sustainable cotton a reality with large-scale positive impacts on people and the environment. Oxfam Novib believes the joint project has contributed to choices by some Dutch retailers and hopes this handbook will inspire others to follow suit.

Oxfam Novib, April 2009

Acknowledgements

This handbook is designed to help mainstream retailers sourcing and marketing sustainable cotton. The findings and recommendations of this handbook are the result of the project “Sustainable cotton in the Mainstream retail” conducted in the Netherlands by Oxfam Novib, WWF, HEMA, de Bijenkorf, the VGT and CREM.

In addition to these project partners, many other organizations have also contributed to this handbook. We would like more specifically to thank the BCI (Lise Melvin), C&A (Philip Chamberlain), Ecom (David Rosenberg), Helvetas (Jens Soth), H&M (Henrik Lampa), ICCO (Marian van Weert), IKEA (Guido Verijck), MADE-BY (Esther Verburg), Max Havelaar (Coen de Ruiter and Fenny Eshuis), Solidaridad (Edwin Koster and Marieke Weerdesteijn) and Sjaak Hendriks for the information they shared with us.

Every effort has been made to check and verify the sources and data referenced within this handbook. It was correct, to the best of our knowledge, at the time of publication (September 2009). Please contact us for comments or remarks.

CREM, April 2009

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Cotton is the main raw material of most textile retailers, especially in the fashion and home and furnishing sector. However, the reputation of cotton being a ‘dirty crop’ is spreading, drawing attention to retailers: they are accused of indirectly contributing to serious environmental, social and economic problems in areas where cotton is cultivated. Marketing organic and fair trade cotton is one way for retailers to improve the situation. However, in the mainstream retail segment, the feasibility of this option as yet remains limited because of higher price, smaller volumes, longer lead time, segregated supply chain, etc. At the same time, the fact that there is currently no ready-to-order large-scale sustainable cotton does not clear retailers from the (reputational) risks associated with using and selling conventional cotton.

This handbook provides retail managers, buyers and marketers with a pragmatic and phased approach to reduce the footprint related to cotton, minimize their reputation and supply chain risks and make informed choices about current and future options to sell more sustainable cotton. Since putting sustainable cotton on the shelves involves all aspects of the retail business (strategy, design, development, procurement, marketing and sales), the challenges and dilemmas that retailers face when addressing this issue have been categorized according to the action scope of three key actors: the retail manager, the buyers and the marketers. In this handbook, colour puppets (see legend below) point out at the sections that are of special interest to each of them:

- Retail managers
- Buyers
- Marketers

Note: This handbook focuses on the sustainability issues associated with the cultivation of cotton and ways to source and market a more sustainable material. It does not review the environmental and social issues occurring further down the chain (the spinning, weaving, knitting, wet processing or manufacturing phases of cotton, up to the recycling of waste textile). These should also be considered by retailers who want to build a consistent CSR strategy.

**DUTCH RETAILERS ON THE WAY TOWARDS SUSTAINABLE COTTON**

Longer-term relationships with suppliers, commitments to continuous improvement, increased transparency in the supply chain, internal buy-in... Dutch retailers are aware of the challenges that they face to put sustainable cotton on their shelves. Experiences and views on sustainable cotton were shared during a seminar in January 2009 organized by Oxfam Novib, WWF, VGT (Dutch association for large textile retailers), HEMA, de Bijenkorf and CREM. Creating awareness in the industry and with consumers is a must. Retailers expressed the importance of a multi-stakeholder approach connecting all players and creating a pull-effect in the cotton sector. Dutch retailers also measured the necessity to take up this challenge at a sector-wide level. The role of front-runners was considered crucial as they prepare the ground for industry standards and pave the way for other (smaller) retailers to follow suit until a critical volume is reached to make the production of sustainable cotton the standard rather than the exception.
The cultivation of conventional cotton is linked to various environmental, social and economic issues. The extent of the impacts of cotton production varies according to cultivation practices and local conditions. The figure below summarizes the socio-economic and environmental issues linked to the cotton supply chain.

How clean is my cotton?

The figure below summarizes the socio-economic and environmental issues linked to the cotton supply chain.
Cotton is a fragile crop that requires large amounts of pesticides, herbicides and fertilizers. In developing countries, around 50% of pesticides used are for cotton cultivation. This leads to pollution of soil and drinking water, poisoning, and structural debts for farmers.

Water use:
1 kg of cotton requires about 8500 litres of water on average. One shirt incorporates about 2600 litres of water. Irrigation is required for three-quarters of global cotton production. Cotton cultivation is the cause of severe water depletion in areas such as the Aral Sea in Uzbekistan and in Andra Pradesh in India. Consequences may include a loss of biodiversity, a shortage in irrigation water and a shortage in drinking water.

Soil Degradation or Conversion:
Heavy use of chemicals on soil of poor quality (cotton is mainly grown in hot arid regions) contributes to a loss of fertility and downstream pollution. The extension of cultivation areas is impacting natural habitats and wild life in China, Brazil or Central Asia.

Low Incomes and Debts:
90% of cotton farmers live in developing countries working with an area size of less than 2 hectares. Decreasing international prices and subsidies in western producing countries and China directly affect farmers’ revenues. As a result, cotton farming is frequently not a viable activity. This leads to structural losses and debts and in some cases to suicide as is frequently reported in India, Brazil and a number of places in Africa.

Human Rights and Working Conditions:
Child labour is reported in some of the most important producing countries (Uzbekistan, China, India...). Children are sometimes forced to work (cases of child slavery have been denounced in Uzbekistan), or to do tasks that can damage their health, safety, well-being, education or development. Bonded labour also occurs when farmers and their families are forced to work to pay off debts. The use of hazardous chemicals can cause poisoning and possibly the death of cotton farmers.

The following tools can help you to assess how sustainable your cotton use actually is. The cotton footprint calculator from the Sustainable Cotton Project (free). http://www.sustainablecotton.org/html/footprint_calculator/fiber_footprint.html Textile Eco metrics is a tool that reviews the impact of your cotton use together with the successive phases of the textile supply chain. http://www.textiledyer.com/whatisecometrics.php
How might this affect my business?

NO TRACEABILITY, NO RESPONSIBILITY?

Most retailers do not know where their cotton comes from. Even their suppliers are sometimes unaware of the source of their cotton. When information is available, this information is in most cases still quite vague: the cotton supply chain is fragmented, complex and not very transparent. While efforts are being made to have full traceability of conventional cotton, at present such a system does not exist (to date only certified cotton is fully traceable). Being thousands of kilometres away from an anonymous cotton farmer increases the risk that you might be selling “dirty cotton”. And the chance that you might be held responsible for it is increasing.

‘Many NGO’s have long focused on Social, Health and Economic justice issues at the manufacturing level, but are rapidly focusing their attention on new opportunities much further back through the supply chain, including right back to the farm level.’

IS MY COTTON INVESTOR-PROOF?

Investors’ pressure has the potential to boost CSR strategies in a similar way. In 2008, the British screening agency Insight Investment measured the footprint of the 14 national leading clothing retailers in relation to their cotton use. The agency published recommendations inviting retailers to pursue the promotion of Fairtrade and Organic cotton, to join relevant initiatives, and to stimulate their demand for sustainable cotton.

SUPPLY CHAIN RISKS AND SUSTAINABLE SOURCING

Poor sustainability performance at the level of cotton production can also represent a supply chain risk for retailers. Experts predict a scarcity of cotton on the medium-long term due to suboptimal agricultural practices, which could lead to higher prices. At the same time, some retailers declare that sourcing sustainable raw material improves the efficiency of their supply chain (reduced lead time and increased cost efficiency) since it requires a better control of the chain.

‘Cotton is the most commonly used fibre in our garments. It is perceived by customers as natural and healthy. It is traded as a commodity with low awareness about the origin of the fibre. Supply and quality has been taken for granted. Could any of this change?’
Henrik Lampa, H&M, Dutch retailers’ workshop, 15 January 2009, Loevestijn, The Netherlands

IS MY COTTON NGO-PROOF?

Because cotton is channelled through a complex and non-transparent chain, there is always a possibility that a retailer’s reputation and brand value is damaged for selling dirty cotton. Civil society calling on retailers like H&M or C&A to boycott Uzbek cotton (well documented cases of child labour, forced labour and hazardous working conditions) is one example of a long list of name-and-shame campaigns (water depletion of the Aral Sea, toxicity of chemicals, genetically modified cotton...). However, the traditional gap between business and NGOs diminishes as both worlds recognise they have common interests and show a willingness to work together.

The shades of sustainability

The term "sustainable cotton" indicates any aspect related to the improvement of social, economic or environmental issues in cotton production. Sadly, 100% sustainability of cotton does not and will never exist since there will always be an impact, for example, on land use. However, different types of more sustainable cotton exist. Sustainable cotton can be certified, in which case it is produced according to the standards of certification organisations. Sustainable cotton can also be produced at the initiative of 3 types of stakeholders (and is then not certified): third-parties, retailers or the Better Cotton Initiative (BCI). The characteristics of these types of sustainable cotton and the way they are channelled to retailers is explained below.

<table>
<thead>
<tr>
<th>Initiative taker / supporting party</th>
<th>Certification organisations</th>
<th>Third-parties</th>
<th>Retailers</th>
<th>The Better Cotton Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton referred to as</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certified cotton</td>
<td>Sustainable cotton from third-party initiatives</td>
<td>Sustainable cotton from retailer’s initiatives</td>
<td>&quot;Better Cotton&quot;</td>
<td></td>
</tr>
<tr>
<td>Cotton referred to as</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of cotton</td>
<td>Cotton certified to the Organic or Fairtrade standards. The Organic certification also applies to organic in conversion, or organic blend.</td>
<td>Cotton following specific initiatives’ standards (Better Management Practices – BMPs)</td>
<td>Cotton projects supported by retailers (BMPs)</td>
<td>The &quot;Better Cotton&quot; will be produced according to industry-wide minimum standards. (available as of 2001)</td>
</tr>
<tr>
<td>Coordinating or operating organization</td>
<td>IFAM, FLO</td>
<td>Industry or NGO-lead initiatives. E.g.: CmiA, SCP, Australian BMP, WWF Better Cotton project</td>
<td>Retailers in cooperation with actors within their supply chain</td>
<td>The Multi-stakeholder initiative &quot;Better Cotton initiative – BCI</td>
</tr>
<tr>
<td>Level of sustainability</td>
<td>Env: Organic ++, Organic blend +, Fairtrade + Socio-eco: Organic +, Fairtrade ++ (fixed premium)</td>
<td>Depends on the initiative</td>
<td>Depends on the initiative</td>
<td>Env: ++ Socio-eco: + (assumption: good env. practices maintaining yield, while reducing inputs)</td>
</tr>
<tr>
<td>On the shelves of</td>
<td>HEMA, de Bijenkorf, Nike, H&amp;M, C&amp;A</td>
<td>Otto, Patagonia</td>
<td>Marks &amp; Spencer, IKEA, C&amp;A</td>
<td>IKEA, H&amp;M</td>
</tr>
<tr>
<td>Possibility to channel cotton via existing retailer’s suppliers</td>
<td>Yes</td>
<td>Yes/ No</td>
<td>Yes/ No</td>
<td>Yes</td>
</tr>
<tr>
<td>Volume available</td>
<td>Large volume possible when planned in advance</td>
<td>Large volume possible when planned in advance</td>
<td>Large volume possible when planned in advance</td>
<td>Large volumes expected</td>
</tr>
<tr>
<td>Price</td>
<td>Higher than conventional - Organic blend: depends on the share of organic</td>
<td>Generally higher, but aiming at competing with conventional prices</td>
<td>Generally higher, but aiming at competing with conventional prices</td>
<td>Similar to conventional</td>
</tr>
<tr>
<td>Suitable for the full assortment</td>
<td>Partial (for organic blend: full)</td>
<td>Yes / No</td>
<td>Yes / No</td>
<td>Yes</td>
</tr>
<tr>
<td>Lead-time</td>
<td>Longer</td>
<td>Generally longer</td>
<td>Generally longer</td>
<td>Similar</td>
</tr>
<tr>
<td>Labelling</td>
<td>Organic or Fairtrade labels, possibly associated with retailer’s branding</td>
<td>Initiatives’ labels</td>
<td>Own retailers labels</td>
<td>Unlikely to produce a consumer label in the short term</td>
</tr>
<tr>
<td>Cotton available via</td>
<td>Members of the IFAM or FLO</td>
<td>Traders or suppliers members of the initiative</td>
<td>Generally not available for other retailers, unless for a shared project</td>
<td>Via the conventional commodity market</td>
</tr>
</tbody>
</table>
WHAT IS CERTIFIED SUSTAINABLE COTTON?

To date, the only certified cotton available on the market is produced according to either organic cotton or fair trade requirements. Certified cotton is channelled via segregated supply chains that offer full traceability of the origin of the cotton (the cotton is ‘identity preserved’). The premium paid for the certified cotton, the costs of certification and the identity preservation increase its purchase price (by up to 20-30% for the retailer). Organic cotton in conversion is sold at the same price as organic. Organic cotton accounts for about 0.2% of world production. It is generally suitable for relatively small volumes, even if large volumes can be purchased provided that it is planned in advance. Blended organic cotton is used by retailers to increase their purchase of organic cotton in a cost effective manner and is usually not communicated to end consumers. In the blended cotton generally marketed by mainstream retailers, the share of organic cotton accounts for 3-5% of the cotton volume of the product.

WHAT IS NON-CERTIFIED SUSTAINABLE COTTON?

This type of cotton, referred to here as ‘sustainable cotton’, is produced according to improved practices, frequently referred to as Better Management Practices (see lexicon). These practices aim principally at rationalizing the amount of inputs, contributing to a lower impact on the environment while securing the economic viability of cotton farming (less input costs). The BMP principles are less stringent than the Organic or Fairtrade standards. The actors promoting BMP aim at being accessible to a large number of farmers. This cotton is not certified, but the initiatives sometimes allow a certain level of traceability from farmers to retailers. Since BMP cotton is supposed to be self-remunerative, its production is in theory not associated with a specific price premium. However, its price can still be higher than conventional cotton. At the moment the availability of the cotton produced under these BMP initiatives remains limited.

Must-read
My Sustainable T-Shirt: Guide to Organic, Fair Trade, and other Eco Standards and labels for Cotton textiles
Sustainable cotton can be produced with the support of a "third party initiative", typically lead by NGOs (the WWF Sustainable Cotton Initiative, Cotton made in Africa- in this case the OTTO foundation) or cotton industry organizations (Australian BMP cotton, the US Sustainable Cotton project). This cotton can generally be used by other retailers.

FOCUS: SUSTAINABLE COTTON PRODUCED THROUGH THIRD PARTY

Sustainable cotton can also be produced with the support of a specific mainstream retailer as a strategy to make sustainability improvements throughout its whole supply chain. A handful of retailers such as IKEA or Marks & Spencer have started their own sustainable cotton projects. They purchase the cotton produced under the projects they support, which enables them to develop some lines of sustainable cotton products via a relatively integrated supply chain. Most retailers involved in such initiatives are characterized by their willingness to establish a level playing field in which more (smaller) retailers are able to join their project or develop similar approaches to produce sustainable cotton.

FOCUS: SUSTAINABLE COTTON PRODUCED THROUGH RETAILERS’ INITIATIVES

BETTER COTTON FROM A THIRD-PARTY INITIATIVE, COTTON MADE IN AFRICA (CMIA)

The CmiA project is based on a set of sustainability indicators. The farmers are assisted to implement a number of improvements tailored to the region. The purpose of the projects is not to develop a certification scheme: "The very demanding certification systems for Organic and Fairtrade cotton led to this cotton being unable to take hold in the main segment of the mass market because it does not fulfill the requirements of consumers and the buyers of large trading companies in terms of price, flexibility, delivery times, etc." Cotton made in Africa is identity-preserved (traceable) in order to increase the consumer demand for this specific quality (African cotton is hand-picked). "The project is hoped to feed Cotton made in Africa smoothly into the added-value chains of large trading companies with their global buying markets, thousands of suppliers and constantly new fashion trends." http://www.cotton-made-in-africa.com/Home/en

SUSTAINABLE COTTON FROM A RETAILER’S INITIATIVE, THE IKEA COTTON FIELD PROJECT

IKEA buys 0.7% of the global cotton production, which potentially represents a significant footprint. IKEA works with the WWF on a large cotton project in Pakistan. This project also covers a procurement and traceability trial improvement process. By better controlling the use of chemicals and the supply chain process, they aim at reducing the costs of cotton by 15%. Three years after the implementation of BMP, pesticides use has been reduced to up to 80%, water use by 50% and fertilizers by 30%, while the farmers’ margins have increased by up to 87%. The cotton grown under this project has already been put on the shelves of IKEA in their home textile collection (bed sets).

Note: This IKEA/WWF project will, as of 2010, officially produce Better Cotton according to the BCI standards.
WHAT IS THE BETTER COTTON FROM THE BCI?

The Better Cotton Initiative (BCI) is a multi-stakeholder initiative launched in 2005 with the objective of globally raising the sustainability standard of conventional cotton and making it available in large volumes to mainstream retailers at the same price as conventional cotton. The BCI developed principles according to regional-specific BMP practices. The cotton produced under these principles will be marketed via the mainstream commodity supply chain following a partial traceability system, but avoiding costly separation and chain-of-custody certification schemes. In such a 'non-identity preserved' initiative, the origin of the cotton purchased by the retailer remains unknown. The BCI Better Cotton will enter the market in 2011.

BCI cotton will probably not be labelled or certified as such. It will provide mainstream retailers with the guarantee that the cotton they buy respects certain sustainability standards.

“There is unanimity among retailers that sustainable cotton should not cost (much) more than conventional cotton. Any additional costs should be earned back by optimizing the supply chain, creating efficiencies through better logistics, getting higher qualities, etc.”

‘Promoting sustainable cotton production in West Africa’ - De man

1. www.bettercotton.org
The introduction of sustainable cotton into the assortment of mainstream retailers can be done on the basis of a product segmentation in 3 categories: **Premium**, **Plus** and **Rest**. Once these categories are identified (see explanations on this page), they can be linked to the different types of cotton described in the previous section (certified cotton, sustainable cotton from retailer or third party initiatives and BCI Better Cotton) – see table next page.

**THE PREMIUM CATEGORY:**
Products that can be sold at a higher price: they are made of sustainable cotton that complies with clear standards and this is independently checked; a certain degree of traceability is guaranteed; in most cases the cotton is certified.

**THE PLUS CATEGORY:**
Products that can not be sold at a higher price: they are made of sustainable cotton that is produced in a more sustainable way than conventional cotton, but not necessarily against the highest standards; compliance is not necessarily independently checked; traceability is not necessarily guaranteed; in most cases the cotton is not certified.

**THE REST CATEGORY:**
Products for which there is no real option to switch to more sustainable cotton. The retailer has no influence on the cotton used and is left with a buy / not-buy decision. The retailer can decide not to sell certain products that do not comply with the retailer’s CSR basic standards (e.g. no products with cotton from highly controversial origin).

Two key questions influence this segmentation:
- **what is the retailer’s influence on the supply chain?**
- **what is the price of sustainable cotton?**

**INFLUENCING THE SUPPLY CHAIN**
The retailer’s capacity to exert an influence on its suppliers (see the line ‘supply chain conditions’ in following table) is an essential precondition to switching to more sustainable cotton. If suppliers are not willing or not able to cooperate, options to source sustainable cotton become extremely limited for a retailer, unless he/she can change suppliers (an option that is generally not favoured). The way a retailer can influence its suppliers depends on various factors, such as the volume of the cotton purchased and the quality and type of relationship with its direct suppliers. A retailer will probably stand a better chance of influencing his direct supplier when this is a Cut-Make-Trim (CMT) manufacturer or other partners further up the supply chain, than when this is an importer.

**THE PRICE OF SUSTAINABLE COTTON**
The price premiums placed on organic cotton fibre can result in a FOB (Free On Board) price increase of 2-10% for Blended cotton (i.e. 95% conventional, 5% organic), and 5-20% for 100% Organic cotton. The same economics apply to Fairtrade cotton and to some extent to sustainable cotton from a third party of retailer’s initiative (see section “The shades of sustainability”). At the store level, the retail price can be up to 20-30% higher than with similar clothes made of conventional cotton. Although many retailers also experience cost reductions when sourcing certified cotton as a result of better transparency and better control of their supply chain, this does not compensate for the extra costs of sustainable cotton. This higher price represents a key constraint for mainstream retailers. Either they can pass the price premium on their customers, or they decide to absorb it in their margins. Mainstream retailers tend to absorb a share of the price premium in their margins in order to level prices of sustainable cotton with prices of conventional cotton.
<table>
<thead>
<tr>
<th>Premium Category</th>
<th>Plus Category</th>
<th>Rest Category</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level of sustainability</strong></td>
<td>Medium - High</td>
<td>Medium (better than conventional)</td>
</tr>
<tr>
<td><strong>What type of cotton can be used for these products?</strong></td>
<td>Certified cotton. Sustainable cotton from third party initiatives. BCI Better Cotton when available.</td>
<td>Sustainable cotton from a retailer’s initiative. BCI Better Cotton when available.</td>
</tr>
<tr>
<td><strong>How is the product marketed?</strong></td>
<td>The premium products can be marketed as a specific line of products of premium quality with a label and higher prices.</td>
<td>These products represent the bulk of the cotton assortment. They are sold without price increase.</td>
</tr>
<tr>
<td><strong>Supply chain conditions</strong></td>
<td>Retailers must have the possibility to switch to another supply chain (see the “Cut &amp; Paste” approach p17).</td>
<td>Retailers must have the possibility to ask their suppliers to source certified cotton (Mix of Cut &amp; Paste and Track-Change approaches p17).</td>
</tr>
<tr>
<td><strong>Easy to implement?</strong></td>
<td>Yes: the production of the premium category can be fully outsourced.</td>
<td>Yes and No: the retailer must incorporate certified cotton in his existing supply chain.</td>
</tr>
<tr>
<td><strong>Opportunities</strong></td>
<td>Creates visibility at the consumer level. Working with actors already experienced in sourcing and processing certified cotton represents an important learning opportunity.</td>
<td>Demonstrates a high commitment to sustainability (at a corporate level). May leads to efficiency improvements in the supply chain.</td>
</tr>
<tr>
<td><strong>Risks</strong></td>
<td>Does not necessarily demonstrate commitment to a long term strategy.</td>
<td>May give rise to questions when not combined with a strategy focusing on the rest of the cotton assortment.</td>
</tr>
</tbody>
</table>

Sustainable cotton on the shelves, a handbook for the mainstream retail
HEMA’S GOOD, BETTER, BEST

HEMA has defined three grades of price/quality (not necessarily sustainability). This ranking applies to the whole range of products sold by HEMA. The Best products may be organic or fair trade products, but may also have other added-values. They can be seen as niche products: they are labelled “HEMA Naturally” and are priced slightly higher. The Better products are standard products, while the Good products are “best-buys”. Those two categories represent the bulk of the sales for HEMA. These two categories are at the moment not marketed in a specific way to consumers. HEMA tries to contribute to the development of sector-wide mainstream strategies to increase the sustainability performance of the cotton sold under these two categories.

FIRST STEP FOR DE BIJENKORF

Only 20% of de Bijenkorf assortment consists of private label products. Because of this relatively small volume, a ‘niche approach’ for sustainable cotton has been adopted. The Bijenkorf decided to introduce a sustainable brand, PURE. The brand is in development, but aiming for ‘100% sustainability’ defined by 100% organic cotton. A strategic choice, as de Bijenkorf estimates that it is easier to communicate that a product is fully sustainable than only partly sustainable. By working with a Track&Trace system the customer is offered full transparency. They collaborate with MADE-BY which introduced them to certified suppliers of 100% organic items. They also discovered that some of their own suppliers are able to offer the required items as well. De Bijenkorf also works towards social compliance which requires continuous monitoring and full cooperation of all partners in the supply chain. Their experience is that the better the (long term) relationship with a supplier, the more trust and mutual effort will be developed to improve the social circumstances of factory workers.

BLENDING: AFFORDABLE SUSTAINABILITY?

Blending sustainable and conventional cotton is one of the favourite options of mainstream retailers. Organic Exchange for example proposes a certification programme that allows a retailer to claim a traceable percentage of certified Organic cotton. Currently Nike, H&M, Timberland, Coop Switzerland, Otto (Germany), Patagonia and Wal-Mart use such a programme. However, a blending strategy also has its downsides. It will be more difficult to communicate to the consumer that the product is only partly sustainable. Many consumers are already confused by the multiplicity of labels (also called the ‘label flows’), and blending strategies have indeed lost some appeal.
Towards a 360° strategy

As shown in the previous table, retailers can sell sustainable cotton in three different product categories (Premium, Plus and Rest). Each of these product categories embodies opportunities and risks that retailers should try to put in balance by designing a multidimensional strategy or 360° strategy. Such a strategy allows mainstream retailers to strive towards incremental improvements while progressively adapting their sourcing strategy and continually testing the consumers market. A 360° strategy can be developed by combining one or more of the following strategies (see also the ‘Retailer’s roadmap towards sustainable cotton’ p32).

1. INTRODUCE MINIMUM SUSTAINABILITY STANDARDS IN THE PROCUREMENT POLICY: this is the very first step that any retailer should take is to ensure that cotton products are not cultivated under unacceptable conditions (child labour or forced labour, depletion of water resource on a large scale, pollution from chemicals...-see ‘How clean is my cotton’ p5). Retailers can define cotton characteristics that, when known, represent a no-go area to the company, based on its CSR policy. Such minimum standards can be integrated in the retailer’s procurement policy, and if appropriate can be part of the contractual agreements with suppliers (also refer to ‘Responsible supply chain management’ p19).

2. PARTICIPATE IN PLATFORMS THAT PROMOTE SUSTAINABLE COTTON and try to set industry-wide standards. Both large and small mainstream retailers have a direct interest in joining sector wide initiatives, e.g. the BCI. This option is interesting in terms of corporate communication, but most specifically in terms of possible learning for the company. Moreover, being able to implement future industry standards at an early stage can represent a competitive advantage. In a similar manner, supporting a sustainable cotton field project (financially or by input of knowledge) can help mainstream retailers gaining corporate visibility in the industry discussion on sustainable cotton (e.g. Farmers Field School project by WWF Pakistan that educates cotton farmers with regard to sustainable agricultural practices, or Helvetas involved in organic production projects).

3. INTRODUCE A PREMIUM PRODUCT CATEGORY made of certified (Organic or Fairtrade) or labelled (third-party initiative) cotton that can be easily communicated to consumers and allows a retailer to gain experience on sourcing, production, quality, pricing and marketing. (To a different extent, when a retailer also distributes other brands, it can also decide to enlarge its range of products to A-brands selling sustainable cotton).

4. COOPERATE WITH SUPPLY CHAIN PARTNERS (suppliers, farmers) with the objective of sourcing larger volumes of sustainable cotton at an affordable price. More explanations are provided in the following sections. Such an approach typically fits into the development of a Plus product category p17.

Must-read
Production of cotton check list
(Handbook on the environment for the textile and fashion industry - p 60-63)

1. The BCI minimum production criteria can be referred to as a good starting point for retailers to work with.
www.bettercotton.org
Sustainable cotton on the shelves, a handbook for the mainstream retail

Does Size Matter?

Nike has announced they will extend their 5% organic blend to their entire collection by 2010. IKEA aims at switching from conventional to sustainable sources for 100% of their cotton products by 2015. Other retailers have also gained a front-runner reputation, like Timberland, Edun, Coop Switzerland, Levi’s and Patagonia. Medium or small size retailers can also be involved in sustainable cotton production. MADE-BY, an initiative focusing on sustainable textiles assists retailers in greening their whole supply chain, and source more sustainable fibres, for example, by linking retailers with organic cotton projects.

Is Sustainable Cotton Crisis-Proof?

Research by Gfk Nederland showed that C&A, a real "mainstreamer", is one of the Dutch retailers that is the most exposed to the crisis. However, C&A has chosen to maintain its strong sustainability statement by a new baseline: "Expect more from us, especially now". C&A aligned the price of its organic collection to other conventional clothing right from the start and now wants to show the consistency of its CSR policy against the economic odds. To date, and as long as a sustainable cotton is not available in the conventional commodity market, retailers have two options to put sustainable cotton on their shelves.

Can Fast-Fashion Be Sustainable?

Fast fashion represents more than one fifth of the apparel market in the UK. Retailers operating in this segment are specifically exposed to reputation damage: the concept of "disposable clothes" generates a high sustainability impact at the level of cotton production. H&M does not see this as a barrier to the development of a phased strategy to promote more sustainable cotton. However, the company remains cautious in its communication towards consumers in order not to harm the companies’ credibility in its efforts to promote sustainable cotton.

Must-read

Learn how to reproduce the bioRe model at a mainstream scale: Where farmer and fashion designer meet, Urs Heierli http://www.poverty.ch/documents/cotton.pdf

1. www.MADE-BY.org
To date, and as long as a sustainable cotton is not available in the conventional commodity market, retailers have two options to put sustainable cotton on their shelves:

1. **THE "CUT AND PASTE APPROACH"**. This approach consists of linking part of the existing supply chain (CUT) to a certified or third-party cotton supply chain (PASTE). This can be done either by asking existing suppliers to source these types of cotton, or by contracting new suppliers that already use this type of cotton or have previous experience with it.

2. **THE "TRACK - CHANGE APPROACH"**. This approach consists of working with the existing supply chain partners towards a more sustainable cotton production. Retailers need to trace the cotton back to the top of the chain where the cotton is grown (TRACK) and try to cooperate with other stakeholders in making the cultivation more sustainable (CHANGE). To be able to do this, a retailer may need to ensure cooperation with two strategic players in the chain:
   a. **the spinners**: spinners decide where they source their cotton from and to what specific sustainability standards the cotton should be produced.
   b. **the farmers**: by going back to the field, the retailers may have a direct influence on the way cotton is produced (depending on the influence of the retailer). Such cooperation with farmers will require the assistance of producers’ organizations and expert organizations, and may start with one or more pilot projects. If the retailer wants to promote this cotton, the cotton will need to be traded and processed through a segregated supply chain.

The easiest solution obviously is to agree with supply chain partners to source sustainable cotton from existing initiatives (CUT-PASTE), with or without the support of external experts which know how this can be done effectively. However, some retailers are reluctant to do so because it is strategic for them to work with their existing supply chain. Another reason may be that the volume available through the existing initiatives is not sufficient for the immediate need of the retailer.
Supply chain opportunities and bottlenecks

INFLUENCING THE CHAIN

Most retailers don’t want to or can not have direct influence on the production of cotton. However, they can still exert a pressure on production practices through a vertical cooperation with partners in their supply chain. It is more difficult for a retailer to influence any purchasing conditions when it is a small player in a supplier’s portfolio. Suppliers are more sensitive to requirements from their big clients. Being able to join forces with other retailers in purchasing sustainable cotton (horizontal cooperation) can bring significant leverage to influence actors in the supply chain.

VERTICAL COOPERATION

Some larger retailers actively work with their suppliers to source specific grades of sustainable cotton. This requires long term commitment from the retailer to source sustainable cotton, a high level of involvement in the supply chain and a strong level of cooperation with its actors. For example, Otto works with integrated textile companies (for example in Turkey) and tries to support them actively. Otto also plays a role in purchasing organic cotton and producing yarn.

MARKS AND SPENCER: CONTROL OF THE ORGANIC SUPPLY CHAIN

Marks & Spencer has always had a relatively strong position in the supply chain, making it easier for them to work with their suppliers on the development of certified cotton. For their first blended collection, they identified their top 9 supplier mills (by volume). All 9 made some commitment to either convert the mill or trial organic. Marks & Spencer recognised that remaining cost neutral, even if possible, was the biggest barrier. Within the 12 months of starting this project, Marks & Spencer got a secure support of key mills to deliver around half of their total commitment. Marks & Spencer currently only uses certified Organic cotton and tries to maintain a good knowledge of their supply routes in order to ensure traceability, using cotton Web-based tracking systems. Good contacts from fibre to finished garments make it easier for them to buy Organic. Marks & Spencer has tried to “make a commitment at a farm level” in order to support the production of organic cotton. The planning and development of the supply chain took two years of research and facilitation of relations and trust between partners. Farm commitment requires a buyer commitment to spinners and mills, which then pass these on to the farm level. With a shortened supply chain, results prove to be even better. Futures options sales may be an upcoming possibility when volumes become larger (i.e. sales contracts that allow hedging the risk related to price change of a commodity).

LOOKING FOR THE SPINNERS

Spinners represent a crucial link in the cotton supply chain because they are the last players in the chain who know where the cotton comes from. However, more often than not, the cotton that reaches the spinner does not have a clearly documented origin anymore, only a technically defined grade. But in many cases, the origin is known. Spinners are therefore able to produce yarns with the required sustainability guarantees and brands/retailers can ask their suppliers to source their yarns from selected spinners.

“Smaller labels should try and get back through their fabric and garment suppliers to the spinner. Look for a spinner [of organic cotton] which is processing large volumes so you can buy into these volumes to help reduce price pressures.”

Rebecca Callahan-Klein, Nike
FULL CHAIN TRANSPARENCY: LETTING GO OR NOT?

Tesco recently revealed its intention to develop a fully traceable supply chain for conventional cotton, using the web-based system MyString from Historic Futures. IKEA also uses this system to maintain a transparent chain of custody between the various actors that produce and manufacture articles out of its cultivation projects in Pakistan. Thanks to MyString, MADE-BY allows consumers to “meet” the farmer behind the organic cotton they buy. However, for most retailers, such a level of traceability is impossible to reach. H&M admits for example that they are not able to guarantee that they do not use Uzbek cotton. They even say that this cotton is to be found in most of the cotton products sold by retailers, which is a reasonable assumption given the share of Uzbekistan in global cotton production. H&M however provides recommendations for not using it to all their integrated suppliers that have spinning facilities in-house. Sustainable relationships with suppliers help building up a better traceability of the cotton, although is should be realized that this can not be constructed over-night.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Retailers should measure the impact of their purchasing policy on different actors in the chain. For example, an immediate ban on cotton coming from Uzbekistan might put Bangladeshi players down the chain out of business. Retailers should allow time to all actors in the chain to make a smooth transition to new requirements. Beyond setting criteria about the grade of sustainability required, retailers should make sure their buying practices do not have adverse effects on other sustainability aspects of the chain. High pressure on time and prices may put direct suppliers and other actors further down the chain in a situation that can negatively affect the working conditions (like long working hours). When it comes to preserving the reputation of the retailer, managing the supply chain in a responsible manner is as important as the sustainability grade of cotton.

Must-read

1. http://www.historicfutures.com
Sourcing products made of sustainable cotton is a real challenge. Whether it is realized through the existing supply chain or through new suppliers, buyers will have to deal with different parameters (availability, lead-time, price and terms of contract) than when buying conventional cotton. Here is what buyers should know about the sourcing of sustainable cotton.

Note: this section focuses on certified cotton. However, these characteristics can to a certain extent be extrapolated to non-certified sustainable cotton as well. It is assumed that "Better Cotton" as defined by the BCI will fit into the procurement policies for conventional cotton.

ORGANIC COTTON
(Source: MADE-BY)

Availability: in particular the availability of higher yarn counts (see p33) in organic cotton is limited (the higher the yarn count number, the finer the strand). The bulk of organic cotton is found in the standard yarn counts (i.e. 20-40). For a retailer that has relatively low counts (20-50) the availability of organic cotton is not necessarily limited. To secure a large volume of organic cotton supply, bigger companies could block certain volumes at the farm level at the beginning of the growing season. They can also set up a supply chain where they make sure the amount they need is farmed, and then spun into the required yarn counts.

Price: very generally the upcharge that can be expected when using organic cotton at yarn level is 40% and 20% at ready-made level. However, this largely depends on regional cotton prices and the labour costs. For example, the up charge of T-shirts made in Portugal is much lower (because of the relatively high labour component) than for T-shirts made in India.

Quality: there is no difference between the quality of organic and conventional cotton of the same cotton variety.

Logistics: spinners do not always maintain any stocks of organic yarn. Furthermore, as a result of the certification requirements, organic yarn is often spun once a month and on request only. To prevent mixing with conventional lots, all machinery has to be cleaned before spinning organic cotton lint into yarn. Cleaning is time consuming and spinners usually spin little amounts at the time. On top of that, spinners can request their clients to order a fixed minimum amount. Usually when companies work with fixed suppliers, these logistical problems can be easily tackled applying the right time-management.

Certification: even though stringent certification rules and inspections are in place, there is always a risk of fraud. On the other hand, with supply chain transparency this risk can be minimised.

FAIRTRADE COTTON
(Source: Max Havelaar)

Availability: According to Max Havelaar (Netherlands) many farmers are willing (and ready) to go for Fairtrade certification, but hesitate since they do not want to spend their money on certification costs without being secured of certain sales volumes. Compared to organic certification, which has a conversion period of three years, Fairtrade certification can be obtained much faster. At the start of the growing season the producer has to decide whether to go for Fairtrade certification. If he meets all certification requirements his harvest of that same year can be sold as Fairtrade, thus yielding (at least) the fixed minimum and Fairtrade premium. In other words, theoretically, Fairtrade cotton could be available within a relatively short period as long as the farmers are convinced of a demand for their Fairtrade crop. In seeking a balance between demand and supply, FLO International (Fairtrade Labeling Organisation) requires their producers to hand in an overview with the expected harvests. At the same time, FLO tries to extract similar information from companies on their expected purchase volumes.

Price: the purchase price of Fairtrade cotton is about 20% higher than conventional cotton.

Quality: there is no difference between the quality of Fairtrade and conventional cotton.

Logistics: as is the case with organic cotton, there is a physical link between Fairtrade cotton and the final product. Therefore along the entire supply chain, the Fairtrade cotton has to be physically separated from conventional lots. Thus similar issues arise as in organic cotton (see above).
Analyzing the supply chain

Retailers that decide to offer products made of sustainable cotton need to map out their supply chain and its workings in order to investigate how they can manoeuvre to source sustainable cotton. Key issues to consider are the transparency and traceability of the supply chain, the potential influence of retailers on the supply chain, the experience of suppliers with sustainable cotton, and the internal procurement policy. Here is a check list designed to identify potential opportunities and bottlenecks.

### SUPPLY CHAIN STRUCTURE, TRANSPARENCY AND TRACEABILITY

- What are the business activities of the retailer’s direct suppliers (agents, importer, CTM manufacturer, dye house, spinner)? Do they have integrated activities further up the chain?
- Can the direct supplier tell where the cotton was grown, spun, transformed into fabric, processed and manufactured?
- If not, is that out of confidentiality or because he does not know it himself? Are the second or third tier suppliers known to the retailer?
- Is it possible for the retailer to approach them directly? To visit them?
- What documents are currently used or could be used to have better product traceability along the chain?

### OPPORTUNITIES FOR SUSTAINABLE COTTON

- Are suppliers aware of the sustainability issues surrounding cotton? Are they interested in this issue? Do they believe it can be a business case for them?
- Do the suppliers have experience with sustainable cotton?
- If they do, who do they sell sustainable cotton to?
- Would it be possible for the retailer to combine their purchasing power with other clients of its suppliers?

### INFLUENCE OF THE RETAILERS AND POTENTIAL FOR INCREASED COOPERATION

- Is the retailer an important player for his suppliers (volume, share of turnover)?
- Are there any long term commitments on volumes or on the retailer’s specifications? Or does the retailer mainly use on-off rolling contracts?
- Is the relationship with suppliers stable, long-lasting, healthy?
- To what extent can the retailer set extra requirements regarding the origin of the cotton?
- What levels in the chain are actually visited and checked by the retailer?

### PROCUREMENT POLICY AND REQUIREMENTS

- What conditions does the retailer apply to its suppliers in terms of price, lead-time, and product quality for cotton products?
- To what extent can stricter minimum criteria be requested from suppliers to ensure a higher level of sustainability of the cotton purchased (e.g. no cotton from Uzbekistan or no GM cotton allowed)?
- What financial objectives do buyers have to meet (turnover, margin)? Are those financial objectives flexible enough when it comes to sourcing sustainable cotton?
- Is there a policy on responsible supply chain management (see pg) Do buyers have support and incentives to implement this policy?
Buyer’s action plan

The following list indicates the key steps that buyers should take to start progressively sourcing sustainable cotton.

- Establish minimum criteria in the procurement policy for all your cotton products (see p15).
- Map out your supply chain and identify bottlenecks and opportunities (see p18).
- Select strategic suppliers (strong, stable and relatively integrated supply chain links with cotton producing areas; ability to grow with the retailer, volume provided to the retailer, share of the retailer in the supplier’s portfolio).
- Communicate with your suppliers on your objectives and requirements.
- Build capacity when needed with your suppliers (inform, raise awareness, educate, support - see responsible supply chain management p19).
- Quantify the volume of sustainable cotton you need.
- Build purchasing power with other buyers / retailers.
- If possible / necessary, go back in the chain and connect with spinners and farmers.
- Create fibre pools.
- Study with your existing suppliers how sustainable cotton from existing initiatives can be fitted into their operations (Cut & Paste approach - see p17).
- Make contractual agreements on volume, quality specifications, terms of payment, lead-time.
- Place orders in advance.
- Collect and manage data to monitor the traceability of the cotton chain.
- Be aware of possible integrity issues in the supply chain, even when the cotton is certified.
- Agree with your suppliers to scale-up (more volume, higher sustainability grade).
- Build a responsible supply chain (see p19).
Do mainstream consumers fancy sustainable cotton?

Love-and-hate story or hide-and-seek game: many analogies can illustrate the complex relationship between consumers and sustainability. The relationship becomes even more intricate when it comes to mass consumers and mainstream textile retailers. One thing is certain: mass consumers are playing hard-to-get. Since the 1990’s, many retailers have tested the sustainable cotton market and have revised their strategies. Some companies including Gap, Levi Strauss and Marks & Spencer experimented with organic cotton, but retreated after finding it too costly and finding consumers too cool to the generally uninteresting designs. In the meantime, many niche brands offering organic or fair trade cotton products have seen their sales increasing at a higher rate than mainstream brands.

IS AWARENESS THE REAL ISSUE?

A British survey revealed that while individuals might know what clothing decisions are good from a sustainability point of view, they do not necessarily act on this knowledge. This survey also showed that even amongst the ‘eco-diehards’, clothing choices most often derive from considerations of identity and economy rather than of sustainability impacts. However, the survey also demonstrated that gaining awareness of the issues influences the behaviour of some people. Marks & Spencer recognizes that the lack of awareness of consumers is one of the issues to tackle to increase the consumer’s demand for sustainable textile.

THE BRITISH CERTIFIED COTTON MARKET

In 2008, the proportion of UK shoppers buying Organic and Fairtrade clothing grew from 7% three years ago to 17% in 2008. The Fairtrade Foundation plans to increase the volume of Fairtrade Cotton products to “10% of cotton clothing in the UK” by 2012. 70% of British consumers recognize the Fairtrade mark. Tesco has announced its intention to make Fairtrade cotton available to the mass market by introducing Fairtrade products in menswear, ladies wear and kids wear.

Long-lasting trend or seasonal fashion? It is extremely difficult to say to what extent the slowly rising interest in sustainable textile will reach mainstream consumers. To date, the existence of an important demand for sustainable cotton in mainstream retail is questionable. But even if consumers do not widely long for sustainable cotton, they still declare that they expect retailers to make whatever effort it takes to put it on their shelves! The love-and-hate story between mass consumers and mainstream sustainable textile has actually just begun. Here are some elements to understand the expectations of the mass consumer and to design your own love-elixir.

WHAT CONSUMERS SAY …

The figure on the next page is a mixture of panels’ findings. It presents some perceptions of consumers on sustainable textile or cotton, some indicating that consumers are willing to engage in responsible choices, some indicating that love still needs to grow before they will do so. This contrasting picture illustrates the complexity of the consumer demand for sustainable cotton.
Only 16% of US consumers believe that environment-friendly is important when purchasing an apparel product.

66% of consumers believed that cotton is extremely/very safe for the environment.*

67% of consumers say retailers should use ethical practices across all their ranges, not just such marked as “ethical.”

80% expect goods to be responsibly sourced.

57% of consumers are sceptical about ethical claims of textile retailers.

In 2008, 60% of under-25s said they bought the clothes they wanted and didn’t care how they were produced; in 2009 only 36% say they do this.

In the Netherlands, only 8% of consumers think that fashion retailers follow CSR principles.

78% of M&S customers would like to know more about how its goods are made.

72% of UK consumers think ethical production of the clothes they buy is important.

66% of consumers believed that cotton is extremely/very safe for the environment.*

89% of consumers are aware of organic labels, but 48% has bought products with an organic label (respectively 31 and 11% for the fair trade labels).

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53% of Dutch consumers say they are willing to pay more for ethical products.

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60% of parents buying at E-Wal-mart are interested in organic options for their babies and 47% of them would buy such articles if they were more readily available or more affordable.

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53% of Dutch consumers say they are willing to pay more for ethical products.
There is an obvious gap between the declared intentions of consumers and what is to be found in their wardrobes. For example in France, surveys indicate that between 25% to 40% of the consumers make purchasing decisions according to ethical or environmental reasons and that 19% agree to pay more for environmental friendly products (17% for ethical products). However, in practice sustainable clothes only account for about 5% of the total retail sector sales. Keeping this contradiction in mind, a few parameters have to be taken into account when marketing sustainable cotton towards mainstream consumers:

**RATIONAL TRADE-OFFS**

When buying clothing, consumers make purchase decisions based on use-values (fibre, fabric, fit, functionality, colour, maintenance, etc.) and non-use values (status, brand value, image, design, feel-good products, etc.). Studies show that most consumers are primarily interested in attributes such as the fit, the price, the style, the colour, the laundry instructions and the image (brands name, style and design). Consumers are less interested by the social or environmental performance behind clothes. Organic, Fairtrade or sustainable cotton adds no tangible functional attribute (or use-values) to the textile that could influence the rational trade-offs that consumers do (the cotton quality is similar, consumers cannot tell the difference). Informed consumers might know that organic textile ranks better in terms of human ecology: It is safer to consumer’s health since chemical use for the processing is restricted, which can be an important argument for baby clothes, underwear or close-to-skin products. However, such considerations are not common in the mainstream retail.
HOW TO MANOEUVRE WITH THE RETAIL PRICE?

Because of these rational trade-offs, retailers that want to transfer (part of) the higher price of sustainable cotton to the retail price will be able to justify a (relative) price increase by reinforcing the non-use values of the products. Labels, design, history of the products and the values of the brand are elements that can increase the perceived value-for-money of a product made of sustainable cotton. When cotton is not certified or identity preserved, when there is no traceability or no well-defined and recognized gain in sustainability, communication towards consumers will need to be limited and a price increase will be difficult to justify.

At de Bijenkorf, the 100% organic cotton articles under the new Pure collection do pass the organic price premium on to the consumers. To enable this, de Bijenkorf focused on basics and ‘must-haves’ of the season for which consumers get evident value for money.

A BET ON LOW PROFILE SUSTAINABILITY

Eco-textile has long been associated with basic clothes, simple design made for conscious-driven consumers. One essential condition for sustainable cotton to gain a place of choice in consumer’s wardrobe is to be as desirable, as fashionable and as functional as any other garment. Consumers sometimes have actually no idea that the stores they walk in have gone through many efforts to make their products sustainable. Some brands such as Expresso of Imps&Elfs prefer to keep the shopping experience of their consumers light and fun. They do not use sustainability as a selling point, it is a just a bonus. The focus remains on the desirability of the brand and the product’s primary qualities. Nike recognizes that putting the emphasis on its organic products (i.e. the Levi’s Eco jeans) did not specifically appeal to consumers. Nike pursues its sustainable sourcing strategy, but with less emphasis in the consumer communication.

DOWNWARD PRESSURE ON PRICES:

Retail garment prices are decreasing. In the UK, women now buy 40% of all our clothes at value retailers, with just 17% of their clothing budget (2008).

“Almost 50% of [UK] consumers are either unwilling or unable to pay the premium associated with more sustainable goods. Respondents said they are only willing to pay a premium of around 20%.”

PricewaterhouseCoopers

Must-read

Public Understanding of Sustainable Clothing

I will if you will. Towards sustainable consumption. (Inspiration from other sectors)
Finding the right words

Given the multidimensional nature of sustainable cotton (different levels of sustainability, different labels) and the lack of awareness of consumers (associated in the worst case with a lack of interest), the communication towards consumers is a complex issue. Here are some key issues to take into account to convey the appropriate message to consumers depending on your sustainable cotton strategy:

**COMMUNICATION OPTIONS FOR THE PREMIUM CATEGORY:**

The key features of the communication on certified cotton or third party initiative cotton lay in the fact that it offers the possibility to communicate tangible sustainability credentials towards the consumer, with a visibility at the product level (tag-on, point-of-sale material, etc.) via:

- **A label (see p29):** measuring the awareness and understanding of the consumer is essential before opting for a specific label.
- **A story:** when the supply chain is (fully) traceable, it is possible to link the final product with the origin of the product, the people behind it and the environmental and social improvements.
- **A reassurance:** Organic or Fairtrade cotton is certified by (third-party) auditing schemes, which will back up communication claims.

**COMMUNICATION OPTIONS FOR THE PLUS CATEGORY:**

Contrary to the communication for a Premium product category (that can be based on the guarantees provided by the certified cotton or third party initiatives), the communication for the Plus category (from a retailer’s initiative) normally does not target consumers, at least not at an early stage. As long as sustainability improvements are not tangible and verifiable, it seems wise to only communicate progress on the corporate level and remain transparent about the progress that remains to be made and about the incremental achievements. This can be done, for example, by means of information in a corporate sustainability report.

**COMMUNICATION OPTIONS FOR THE REST CATEGORY:**

The Rest category can be seen as a non-subject for communication. However, it is important to be able to explain why improvements can not be made in this specific category and what minimum measures are taken to ensure that the retailer does not indirectly support the production of cotton in serious unsustainable conditions. Some mainstream retailers may find out that most of their cotton products fall into the Rest category (e.g. in case of retailers selling A-brands on which they have no influence), meaning that very few improvements can actually be made within the whole cotton assortment. In such a case, it remains important to show a minimum level of commitment for example through a small collection of certified cotton or the participation in sector-wide discussions. In specific cases, the retailer may communicate on the CSR policy of the A-brands it sells.

**COMMUNICATION ON THE PARTICIPATION IN SECTOR-WIDE INITIATIVES:**

Becoming a member of a sustainable cotton initiative gives a clear signal to external observers that the company is working on the sustainability performance of the cotton chain. However, one should be aware that most of the initiatives are still in development. On the one hand, this means that a retailer can be credited for its early involvement in such a process. On the other hand, it also means that a retailer can be associated with the initial ups-and-downs of such initiatives and to the criticism from different observers on the imperfections of the new initiative. Communication on the company’s involvement will normally be limited to brief newflashes on a company’s website and communication within the initiative’s network (all stakeholders involved or critically reviewing the initiative will know and may communicate about the company’s involvement).
“Confusion, coupled with high prices, leads to a lack of trust among shoppers,” says a research PricewaterhouseCoopers conducted in 2008. The study revealed that only 9% – 16% of consumers say they trust retailers and consumer goods companies in the area of sustainability.

PRODUCT-BASED SPONSORING: A COMPLEMENTARY OPPORTUNITY TO CREATE VISIBILITY

As part of a more elaborated strategy to promote sustainable cotton, a retailer can engage in sponsoring activities. The retailer establishes a partnership with an external party (NGO or research institute for example) through which it contributes indirectly to the promotion of sustainable production methods. The retailer does not necessarily buy the cotton produced as a result of the sponsored activities. The sponsorship can generate a product-based communication (see example of Monoprix or C&A below). It is important to note that if sponsoring remains an isolated initiative, retailers can be accused of green washing. Sponsoring should be used as one complementary opportunity to create visibility within a more clearly elaborated strategy.

SPONSORING EXAMPLES

As part of its efforts to promote sustainable textile, Monoprix has launched a collection of “WWF Panda T-shirts” made of organic cotton. This operation was communicated to the consumers through a specific tag-on. A share of the retail price is returned to WWF to contribute to its activities. The organic shopping bags of C&A (bio-bags) are another example of small sponsoring projects. All profits of the sales are donated to organic cotton farming projects in developing countries.

Must-read

Eco-promising: communicating the environmental credentials of your products and services
http://www.bsr.org/reports/BSR_Eco-Promising_April_2008.pdf

Let them eat cake (mainstream retailers and consumers aspirations)
http://assets.wwf.org.uk/downloads/let_them_eat_cake_abridged.pdf
There are many consumer labels indicating that a piece of clothing is (1) made of sustainable cotton (focus on the raw material) and/or (2) has been produced in a sustainable way (focus on the raw material and the production process) and/or (3) is safe to the health of the consumers (focus on the presence of hazardous chemicals in the final product). Here are some consumer labels that can be found on sustainable cotton products.

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</table>

*The Cotton made in Africa logo does not represent a certification but is the mark of the participation in the Cotton made in Africa project.*

The labels presented in the table above are "public labels" (designed by an initiative or certification body) as opposed to "private labels" (designed by a retailer—see the case of HEMA and C&A below). Combinations of public and private labels can also be found (see Marks & Spencer).
DO YOU SPEAK ORGANIC?

The legal requirements on labelling vary from country to country. In the United States, unless a product has been processed according to the National Organic Program (NOP) standards (which were developed for food), the only allowable claim is “made with (x%) organic cotton”. In Europe and Japan, there are no laws governing the labelling of processed non-food products. In all cases, the language for organic claims is laid out by the standards to which the products are certified.

Legal labelling requirements apply in the country where products are being sold. For example, if a shirt is made in India and sold in the U.S., the label must comply with the laws of the U.S., set by the NOP, governing the use of the term ‘organic’. The product label must also comply with the marketing laws of the U.S., set by the Federal Trade Commission. Voluntary standards, however, are standards set by private or non-governmental organizations. Examples include the OE (Organic Exchange) 100, OE Blended and GOTS (Global Organic Textile Standard). There is no legal requirement to follow these standards, but they offer many advantages such as a clear protocol for supply chains to follow, assured product integrity, increased validity to marketing claims, and third party verification. In Europe, organic cotton is communicated by different organic logos delivered by certification bodies (see http://certification.controlunion.com/certification/default.htm) and/or private logos.

Notwithstanding the lack of legal requirements, the way organic cotton is referred to is as follows:

<table>
<thead>
<tr>
<th>Type of cotton</th>
<th>Should be referred to as:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certified organic cotton – 100% organic</td>
<td>“100% organic cotton”</td>
</tr>
<tr>
<td>Certified organic cotton – min. 95% organic</td>
<td>“Organic cotton”</td>
</tr>
<tr>
<td>Certified organic cotton – min. 70% organic</td>
<td>“Made with organic cotton”</td>
</tr>
<tr>
<td>Certified organic cotton – blend with (X)% organic</td>
<td>“Made with(X)% of organic cotton”</td>
</tr>
</tbody>
</table>

GUIDING CONSUMERS

To build awareness among consumers it is strongly recommended to stick to the accepted references and labels regarding certified cotton. This may also be a requirement of the initiative you may want to join. By using the official labels, the number of labels in the market is limited, recognition is improved and the marketing done by the initiative itself will contribute to the awareness and interest by the consumer of all labelled products. Please note that even if a label does have a good awareness amongst consumers, it may still be wise to provide some explanation on the product, at the point of sale or via other communication channels (i.e. on the retailer’s internet site).
“Fairtrade products help local farmers to invest in developing their own communities. Fairtrade cotton certification has already helped small scale cotton growers in Mali with projects such as setting up a health centre and building a school nursery. Fairtrade cotton is a new initiative, which Marks & Spencer is the first major high street retail to support. Supplies of Fairtrade cotton are very limited at the moment—however with our help local farmers can invest in developing their own business and communities.”

The Fairtrade cotton labels of Marks & Spencer, the UK.

To avoid confusion retailers should be careful with labelling both conventional and sustainable cotton. For example, Otto uses a logo with a cotton icon both for conventional cotton and for products made of CmiA cotton (Cotton made in Africa). Consumers may be confused by this.

A LABEL FOR THE BCI BETTER COTTON?

To date, the Better Cotton Initiative (BCI) does not aim at providing a consumer label for the Better Cotton that will be grown according to its principles. A label would require a certain level of traceability, which is not part of the supply chain model they advocate: the BCI wants to channel its Better Cotton through the conventional commodity market and avoid the cost of working with a segregated supply chain. If the identity of the Better Cotton is not preserved, the retailers might be able to communicate on the use of Better Cotton at a corporate level, or might be able to use a sponsorship-type communication on the product (see example of Monoprix p28).

“This product is made of organic cotton grown in developing countries without any chemical fertilisers or pesticides, in a way that protects people and the environment. This garment was designed and tested to prevent allergies”.

Organic cotton labels of Monoprix, France.
### Retailer’s roadmap towards sustainable cotton

<table>
<thead>
<tr>
<th>Your Corporate strategy</th>
<th>Your Internal processes</th>
<th>Your Suppliers</th>
<th>“Your” cotton farmers</th>
<th>Your consumers</th>
</tr>
</thead>
</table>

**1. Action Scope: analyze your risks and opportunities**

- Assess your reputation risk vis-à-vis sustainable cotton (your CSR policy)
- Ascertain how sustainable cotton can feed your CSR policy
- Evaluate the importance of cotton in your assortment, per product line
- Assess your procurement policy and product design in relation with cotton
- Map your supply chain: actors, volumes, strength of the relationships
- Investigate if your suppliers are aware of sustainability issues regarding cotton and if they are willing/able to source sustainable cotton
- Assess your level of influence on your suppliers
- Assess whether you can trace your cotton back to the farm level and assess to what extent your activity potentially contributes to social, economic and environmental issues at the level of cotton production
- Identify indicators specifically relevant to your CSR policy (water use, chemicals, poverty alleviation, working conditions)
- Understand how consumers value your brand and your products (price, quality, non use value)
- Assess the awareness of your consumers about sustainable cotton
- Assess their interest in sustainable cotton and their willingness to know more about it

**2. Action Scope: act within your direct scope of influence**

- Be transparent about your cotton use (conventional and sustainable); you are not supposed to be perfect
- Be accountable: explain your strategy and whenever possible your achievements and plans
- Involve relevant departments in your reflections and decisions; raise their awareness about sustainable cotton
- Adapt your product development strategy in such a way that you use more sustainable cotton and less conventional cotton
- Set minimum sustainability standards for cotton and test whether your suppliers are able to follow them
- Strengthen your partnership with suppliers that are willing to cooperate in a switch towards sustainable cotton
- Identify actors that promote the cultivation of sustainable cotton (on your side of the supply chain or in the region where your cotton probably originates)
- Support initiatives that promote the production of sustainable cotton at the farmers level (sponsorship, partnership with NGO, etc.)
- Launch a line of certified sustainable cotton products, e.g. by means of out-sourcing this to suppliers with the relevant expertise
- Ensure that your consumers perceive your certified product line and your message
- Evaluate the extra value of labelling (not just financial value, but the value to your organization as a whole)

**3. Action Scope: strengthen your stakes**

- Search allies to support your strategy and increase your influence (other retailers, NGO’s …)
- Participate in debates about sustainable cotton at the level of brand organizations or multi-stakeholder initiatives
- Scale up your strategy: enlarge your Premium category and reduce or phase-out your Rest category products
- Assign responsibilities and objectives to designers, buyers and marketers
- Adapt your procurement policy to sourcing sustainable cotton (margins, lead time, …)
- Try to increase the traceability and transparency of your supply chain by means of information gathering
- Establish partnerships with your current suppliers to source sustainable cotton and/or select new suppliers
- Strengthen your standards, ensure that your suppliers can follow them and assist them if needed
- Become an active partner of farming projects. Provide direct or indirect support for educational programmes focusing on better management practices or access to credit
- Commit yourself (possibly through your suppliers) to buy from specific farmers’ projects. Agree in advance with them on the quality, quantity and price of cotton
- Whenever possible, start to sell non-certified sustainable cotton to scale-up your offer
- Use your results to create visibility at the point of sale and via other channels
- Strengthen your profile as a responsible company: extend your offer with other sustainable fibres, educate consumers and share your experience with peers

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Sustainable cotton on the shelves, a handbook for the mainstream retail
GM cotton (Genetically Modified) or Bt cotton
Cotton plants that have been genetically modified by the insertion of one or more genes. ‘Bt’ comes from Bacillus thuringiensis, a toxin-producing bacterium found naturally in soils, to destroy the bollworm, a major cotton pest. This is also known as transgenic cotton.

BMP – Better Management Practices

Certified cotton
Certified cotton is at this moment a “more sustainable” that is either Organic cotton or Fairtrade cotton. Certification is provided through different accredited certification bodies, according to well-defined standards developed by a few international organizations in a multi-stakeholder process. Certified cotton is channelled via segregated supply chains that offers full traceability of the origin of the cotton to the retailer, and possibly to the end-consumer.

Organic cotton
Organic cotton is grown without the use of pesticides or chemical fertilisers, whereby natural predator populations are nurtured and crop rotation is used to halt the development of cotton-pest populations and avoid excessive soil depletion. It is GM-free cotton. Organic certification is based on the European Regulation (EEC) No 2092/91, the US National Organic Program (NOP) regulations and/or the Japanese Agricultural Standard of Organic Agricultural Products (JAS), depending on the location where the cotton will be marketed. The IFOAM supervises accreditation of certification bodies.

Blended cotton
Organic blend is made of a mix of organic cotton fibres and conventional cotton fibres.

In conversion cotton
It takes 3 years minimum for a farmer to convert a farm to organic certification. During this period, farmers usually experience a drop in productivity and income. As a consequence an “organic cotton in conversion” category has been created to help farmers bridge this gap financially.

Organic clothes
Organic clothes are made of organic cotton and manufactured following private voluntary environmental standards (GOTS).

Fairtrade cotton
Fairtrade cotton meets the international Fairtrade standard for production of seed cotton, and is therefore eligible to carry the FAIRTRADE mark – an independent product certification label that guarantees that cotton farmers are receiving a fair and stable Fairtrade price and premium, receiving pre-financing where requested, and benefiting from longer-term, more direct trading relationships. FLO (the Fairtrade Labelling Organisation) supervises accreditation of certification bodies.

Supply chain – upstream versus downstream
An analogy can be drawn between the terminology used to describe the position of the various actors in a supply chain and a river: the water flows from upstream to downstream. Same goes for products in a supply chain: they are produced at the top of the chain (by farmers) and are consumed at the bottom of the supply chain.

Yarn count
Yarn count refers to spun yarns and is used to designate the thickness of single yarns. The higher the yarn count number, the finer the strand. The finer the strand, the more yarns which can be woven per square inch, and the more durable the fabric.
Address book and resources

SUSTAINABLE COTTON INITIATIVES
Better Cotton Initiative
www.bettercotton.org
Sustainable cotton initiative
http://www.panda.org/who_we_are/wwf_offices/pakistan/projects/index.cfm?uProjectID=8W001
Australian BMP Cotton
www.bmpcotton.com.au
Cotton made in Africa
www.cotton-made-in-africa.com
The Sustainable Cotton project
http://sustainablecotton.org

STANDARDS
IFOAM (International Federation of Organic Agriculture movements)
www.ifoam.org
GOTS (Global Organic Textile Standard)
www.global-standard.org
Fairtrade labelling Organisation
http://www.fairtrade.net/cotton.html
Pesticide Action Network
www.pan-international.org
Soil Association
www.soilassociation.org

SUPPORT ORGANIZATION
Solidaridad
www.solidaridad.nl
icco
www.icco.nl
Organic Exchange
www.organicexchange.org
MADE-BY
www.MADE-BY.org
Helvetas
www.helvetas.org
Max Havelaar Foundation
www.maxhavelaar.nl
Organic Trade Association
www.ota.com

INFORMATION PORTAL FOR BUSINESSES
Sustainability Action plan for a the textile retail
http://www.mvonederland.nl/aandeslag-mvomv/textielsector/textieldetailhandel#stepMark1
Mode Bewust
www.modebewust.nu
Fashion and Ethical Industry
http://fashioninganethicalindustry.org/static/sewing-machine.html
UK Sustainable Clothing action plan

COTTON AND SUSTAINABILITY
WWF Cleaner, greener cotton
http://www.panda.org/about_our_earth/about_freshwater/freshwater_resources/?uNewsID=115940
EJF, The Children behind Our Cotton
http://www.effoundation.org/pdf/The%20Children%20behind%20Our%20Cotton%20FINAL.pdf
EJF, The Deadly Chemicals in Cotton
EJF, White Gold
http://www.efoundation.org/page152.html

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HEMA – Peter Laan
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VGT – Linda Herkemij
http://www.raadnederlandsedetailhandel.nl/index.cfm/18,2840;122,99.html
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www.crem.nl