

GoodGuide

Statement Of

Dara O'Rourke, Ph.D.
Co-Founder, GoodGuide, Inc.
Associate Professor, University of California, Berkeley

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At a Hearing On:

It's Too Easy Being Green: Defining Fair Green Marketing Practices

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Chairman Rush, and members of the Committee, thank you very much for the opportunity to testify this morning on Green Marketing Practices, and the important underlying issues of public access to accurate information on the environmental and health impacts of consumer products.

My name is Dara O'Rourke and I am an Associate Professor in the Department of Environmental Science, Policy, and Management, at the University of California, Berkeley. I have been conducting research on global supply chains for the last 15 years, first with a team at MIT, where I previously taught, and more recently at UC Berkeley. My research focuses on developing improved ways to monitor and measure the environmental and social impacts of the global production systems that produce the goods we consume in the US. My research applies a "life cycle" framework to understanding the full impacts of a product from raw material extraction, to manufacturing, to product use, to end-of-life disposal.

This research led me recently to co-found a "for benefit" company, GoodGuide, which I am here representing today. GoodGuide is a project dedicated to disseminating information to the public on the health, environmental, and social impacts of products and companies. We are early in this experiment, and are currently evaluating approximately 75,000 products across four categories – Personal Care, Household Chemicals, Toys, and Food products – based on information from over 200 data sources. We make this information available for free at GoodGuide.com and via a free iPhone application.

The reason we developed GoodGuide, and the reason I am here testifying today, is because I believe the current information available to the public on important issues affecting our health and the environment, is incomplete at best, and often confusing or even deceptive at worst. The public either has little information on critical aspects of a product (such as the ingredients contained in household chemicals, fragrances, electronics, etc.) or questionable information (such as green claims about a product being “natural” or “eco-friendly”) on which to base their purchasing decisions. For markets to function efficiently, consumers need high quality information and low transactions costs in acquiring this information. Currently, we have the opposite: poor information and very high costs for consumers to access this information.

This gap between what consumers want to know, and what companies communicate about their products, continues to grow, and has led to frustrated and confused consumers who literally cannot differentiate between green products and “greenwashing” companies. And as demand for fuller information on products is skyrocketing, so are questionable marketing claims. Incomplete or misleading information leads to consumers purchasing products and supporting manufacturing practices that they might actually oppose if they had better information. This confusion also undercuts the market for truly greener products.

This committee and the Federal Trade Commission have a critical role to play in improving the public information available on products, particularly as they relate to green claims. Congress also has an opportunity, I believe, to strengthen and expand disclosure rules that undergird product claims.

Information Demands

From our research over the last four years, it is clear that consumers want to know about the impacts of the products they are putting in, on, and around their families.

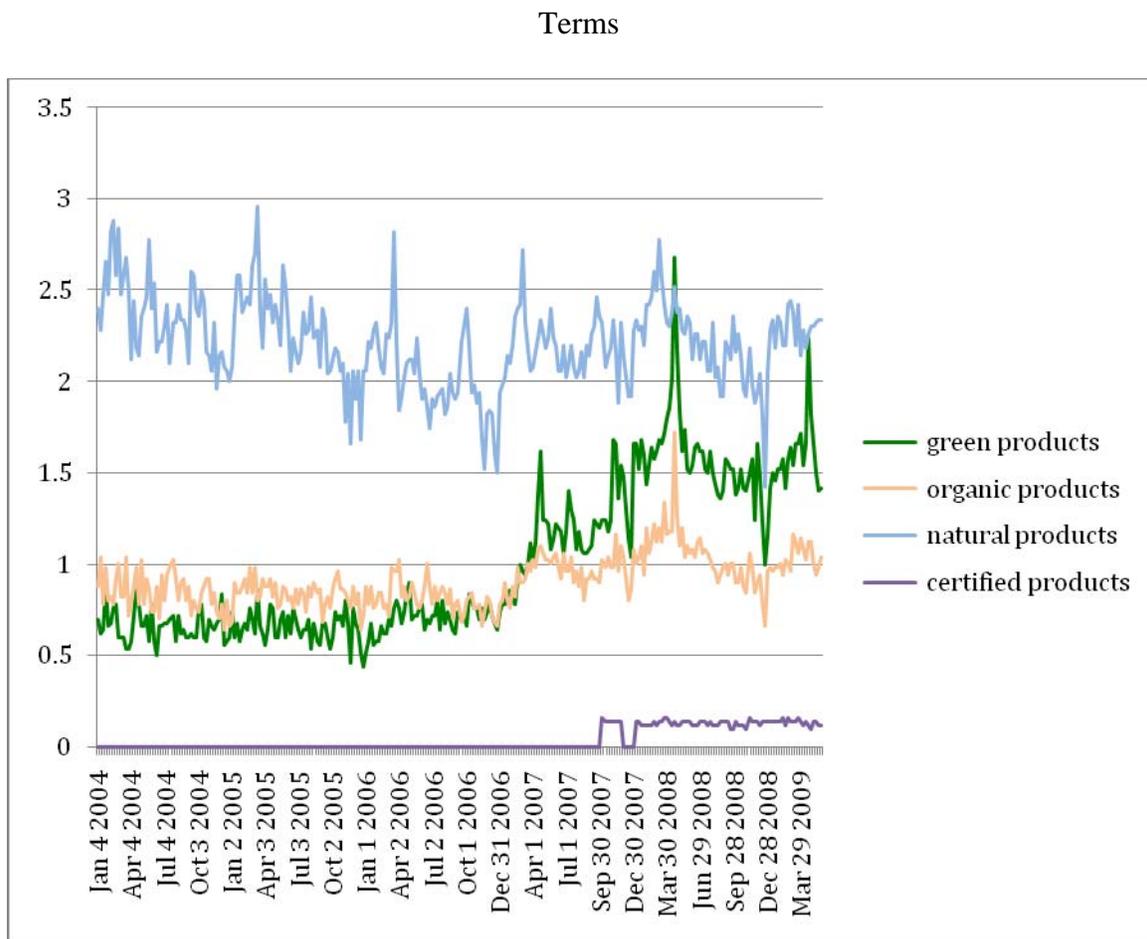
Driven partly out of a continuous stream of high-profile product scandals – lead in toys, melamine in baby formula, salmonella in peanuts, etc. – consumers are increasingly asking: Where are our products made? How are they made? What is in them? And, are they safe for our health and the environment?

Out of these questions, consumers are seeking out and demanding products that are healthier and greener. A number of recent national surveys show that even in our current economic climate a majority of consumers want to buy green and want better information on product impacts. For instance, the 2009 BBMG Conscious Consumer Reportⁱ asserts that 67% of US consumers continue to believe “it is important to purchase products with social and environmental benefits,” and 51% say they are “willing to pay more.” In another national survey, Mintel reported that the number of Americans who say they almost always or regularly buy green products tripled from 12% in 2007 to 36% in 2008, and has held steady in 2009.ⁱⁱ

These trends are not just for high-income consumers. WalMart has conducted national surveys of their customers over the last several years, and found that 57% were “concerned about the environment and its impact on you personally,” 53% “want to make more environmentally friendly purchases,” and 78% said they “need more information to think about how to help solve environmental problems.”ⁱⁱⁱ

In one of the broadest measures of public information seeking, we recently analyzed search terms entered into Google (the world’s largest search engine.) As Figure 1 shows, over the last three years, searches for “green products” have almost tripled, while searches for “natural products” remain very popular.

Figure 1 – Google Trends Analysis of Product Search

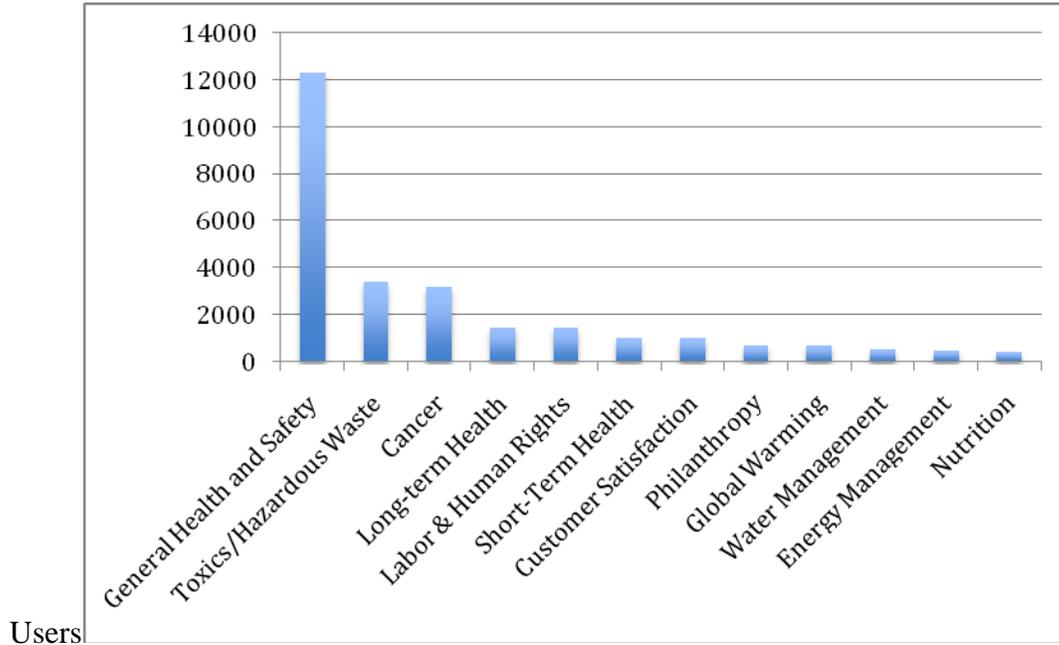


From our analysis, and from WalMart’s national surveys^{iv}, this does not appear to be a left/right or Democrat/Republican issue. Consumers, and parents in particular, want to know what goes in, on, and around their families. And ultimately, they want to know that the products they are bringing into their homes are safe.

At GoodGuide, we have also been studying consumer information demands via web and mobile phone analytics. Through an analysis of the search patterns of over 1 million users, and the detailed information they click down into, we have learned that consumers want information that helps them make better purchasing decisions. They want to both avoid “bad” or “unhealthy” products, and to find “green,” “healthy,” and “socially responsible” products. Consumers want high level, simple advice on whether a product meets their values and concerns, and they want to be able to drill down to detailed information when they have specific concerns (such as chemical ingredients they want to avoid.)

To very briefly summarize our user research, health impacts are the number one issue of concern for our users. As Figure 2 shows, our users most frequently click down into detailed information on the health and safety performance of products, potential cancer risks, other long-term health hazards, and nutritional impacts. Environmental impacts are also of high concern, particularly as they relate to environmental health issues such as toxic releases and hazardous waste. Broader environmental concerns such as global warming, water, and air pollution are also of concern as people evaluate product choices. Finally, a diverse set of social issues are also emerging within “sustainability” discussions, such as the labor and human rights issues, community impacts, and animal testing.

Figure 2 – Top Issues of Concern for GoodGuide.com



We are currently conducting research to refine the data we provide our users to better understand what information, in what form, and at what moment in a purchasing decisions will actually support better decision-making. As I mentioned, we have aggregated over 200 data sources from around the world – including government, industry, academic, non-profit, and media sources – to develop our product rating algorithms. However, we are currently working hard to simplify the presentation of this information, and to hone in on the most important information for consumers.

Information Gaps

Despite growing demands for better information on products, it is currently virtually impossible for an average consumer to access the information they need to evaluate if a product is truly green or healthy. Consumers simply cannot find adequate

information in stores (or on the internet) about where their products were made, how they were made, and what impacts they might have on their health and the environment.

Furthermore, there has been a rapid proliferation of green claims in the marketplace that may actually confuse consumers. New products with green claims are being released at an accelerating pace in the US. A recent study from Mintel showed a 200% increase in new product introductions between 2006 and 2007 that claimed to be “environmentally friendly.”^v Package claims related to a product being “natural” appeared on 33 percent of new food products launched in 2008.^{vi} Ethical and environmental claims rose to 7 percent of food products launched in 2008.^{vii}

Other experts on the panel today – Mr. Case and Dr. Rangan – will go into greater detail on label claims and the problems of “greenwashing.” But let me briefly discuss three product categories we have been studying that represent a problematic gap between consumer questions and marketing claims.

There has been rapid growth in demand for “green cleaners” in the US over the last several years, with increased sales by both small natural products companies and the entry of mainstream manufacturers launching “green” product lines. But how can consumers know which cleaners are really non-toxic and healthy? In many cases we analyzed, manufacturers would state that their products were “Safe for kids, pets, and the environment” and “non-toxic,”^{viii} but then would not disclose the actual ingredients in the product. Or they would describe their product as “plant-based,” or “made from corn and coconut oil,” or “naturally derived”^{ix} and again fail to disclose what specific compounds were being derived from these sources. Many consumers believe that “natural” and

“plant-based” products are inherently safer than petroleum-based compounds, and may not know that hazardous compounds can be extracted from natural sources.

Unfortunately, existing disclosure requirements in the US allow manufacturers to not disclose many of their ingredients, while continuing to make environmental and health claims about these ingredients. This makes it virtually impossible for consumers to know if products are truly green.

There has also been growing demand for natural, green, and healthy personal care products in the US. Again, for these products, consumers want to know if the product contains chemicals that have environmental or health hazards. And increasingly, informed consumers want to know if products are free from specific chemicals of concern, such as phthalates, parabens, sodium lauryl sulfate, etc.? Again, unfortunately, consumers are frustrated with package claims and ingredient disclosure that actually mask the specific ingredients in these products. We regularly assess products that list the word “fragrance” or “fragrance from essential oils” on a label, masking the sometimes 50-60 chemicals that might be within the fragrance (including phthalates sometimes). We also see sunscreens marketed that describe themselves as “chemical-free,” which is hard to understand no matter how you define “chemical.” Many products are also showing up on store shelves touting “micronized” ingredients, rather than explaining that these are actually nano-scale compounds, most of which have not received comprehensive health or environmental testing. Consumers simply have no way to know the environmental or health implications of these products and their underlying ingredients.

Finally, toys, as you all know, have become an angst-inducing issue among consumers over the last two years. Controversies around lead, cadmium, arsenic,

mercury, and phthalates in the toys in the US have led to increased numbers of consumers seeking out safe, non-toxic toys. This has led a number of manufacturers and retailers to create “eco-friendly” or “green” toy lines, and to make claims about “safe” and “non-toxic” products. Some of these are made out of wood, implying a naturalness, but still may be coated in paints that contain traces of lead. Some “green toys” are made out of plastics that may contain PVC and phthalates. And even in cases where manufacturers are complying with ASTM standards on “non-toxic paints,” consumers remain confused over which standard mentioned on the bottom of a product implies what specific level of safety.

Towards Improved Information Systems

Despite all of this confusion in the marketplace, recent advances in scientific measurement processes and information systems make it possible for firms and government agencies to monitor, measure, and communicate more precise information on the environmental, health, and social impacts of products and their supply chains. Put simply, there is no excuse now for not providing much higher quality information to the public on the impacts and performance of products and companies.

There is an urgent need now for an improved system of public disclosure of the critical information relevant to the impacts of a product and its supply chain. This information, and all green marketing claims, should meet the following basic standards:

- Information should be presented on the key life-cycle impacts of a product.

Disclosure should focus on the most important impact areas, so consumers are not confused or deceived by green claims about irrelevant issues.

- Companies should publicly disclose the “ingredients” in their products before they make any environmental or health claim about that product. For products like toys and electronics, this should include the materials contained in the product.
- This information should be scientifically precise and verifiable.
- This information should be made available on the manufacturer’s website at a minimum, and when possible also on the package label (such as ingredient information for household chemical products).
- Over time, this information should be verified by independent third-party certifiers.

The Federal Trade Commission has an opportunity to establish a much improved framework for commercial communication of product information. And I personally believe both the FTC and Congress have an even more important opportunity to build and motivate deeper disclosure of product information that supports public product claims. With public demand at an all time high, I believe Congress should move towards evaluating fuller product disclosure laws that might include: full ingredient information, country and factory of origin information, supply chain traceability information, and product life-cycle impact information.

The potential benefits of these enhancements to current disclosure and marketing regulations include:

- Manufacturers will know better what they need to measure and disclose.
- The public will have access to much better information relevant to their purchasing decisions.

- The government will level the playing field between firms that really are improving their products and those that are simply attempting to greenwash their customers.
- Retailers will know what consumers really care about and desire in products.
- The government will help to motivate product innovation for environmentally preferable products and services.
- This will hopefully lead to more environmentally-sound and healthy products produced and sold in the US.

In conclusion, I want to thank Chairman Rush and the Committee for calling a hearing on this very timely and important issue. I believe Congress and the FTC have an opportunity today to remedy current failures in the marketplace of information, to motivate increased transparency among industry, and ultimately to support innovation that leads to the development of products that are better for the health and environment of the United States.

Thank you.

ⁱ <http://www.bbmj.com/>

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http://www.businesswire.com/portal/site/home/permalink/?ndmViewId=news_view&newsId=20090220005581&newsLang=en

ⁱⁱⁱ <http://www.livebetterindex.com/sustainability.html>

^{iv} <http://walmartstores.com/FactsNews/NewsRoom/6503.aspx>

^v Mintel Global New Products Database, <http://www.gnpd.com/>. See also media reports on this data, such as: <http://www.foodproductiondaily.com/Packaging/Consumers-go-for-green-products-Mintel>

^{vi} http://www.mediapost.com/publications/?fa=Articles.showArticle&art_aid=98562

^{vii} Ibid.

^{viii} <http://www.spotshot.com/green-cleaning/>

^{ix} <http://methodhome.com/product.aspx?page=621>