

DISTRICT LABELS: HYPOTHESES ON APPLICABILITY, PROBLEMS AND PROSPECTS FOR THE ITALIAN CASE¹

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Abstract

To become a concrete target, the concept of sustainable development should be located geographically, it must be calibrated in relation to the situation and potential of each country, starting from the knowledge of a particular environment in which to adapt the policies of sustainability.

Based on this assumption and on the particular Italian industrial fabric, characterized by small and medium enterprises, often grouped in clusters, it's even more important to focus on policy measures targeted for the sustainability development and competitiveness of product and process.

Riassunto

Per diventare un obiettivo concreto il concetto di sviluppo sostenibile va localizzato territorialmente, calibrato rispetto alla situazione specifica, partendo dalla conoscenza approfondita di un determinato ambiente sul quale adattare le politiche di sostenibilità. In base a questo presupposto e per il tessuto industriale italiano, caratterizzato da piccole e medie imprese spesso riunite in distretti, risulta ancora più importante centrare le politiche su azioni mirate per lo sviluppo di sostenibilità e competitività di prodotto e processo. Il lavoro analizza le problematiche e le prospettive per la creazione di un marchio di qualità ambientale con riferimento a schemi esistenti o attraverso l'esame di nuove possibili strade da percorrere nella valorizzazione dei prodotti del territorio.

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Introduction

A recognition of the links that are inevitably created between the local environment and productive development over time has led us to reflect on significant changes in the organization of society itself, in broadest terms, and how it optimizes on increasingly scarce resources and safeguards environments that are increasingly challenged by anthropic activities as well as, in particular, how society guides consumers towards products with quality guarantees.

This also, however, requires acknowledging another type of insight: geographically-localized sustainability emerges and prospers when even it manages to capitalize on the noteworthy advantages inherent to geographically-localized collaborative relationships involving multiple actors, and this happens because of the way that geographic proximity supports closer interaction, greater operational control and more direct and pragmatic knowledge about specific problems and issues. This is policies that support sustainable development embrace the concept of "think globally, act locally," which has been summed up in the adjective-form as "glocal."

This is also the objective of the 2006 Strategy for Sustainable Development, which defines strategic priorities such as sustainable production via specific mechanisms like the "Small, Clean and Competitive" action plan, which established an SME assistance program, with special reference to clusters (1), to help such enterprises satisfy environmental legislation and regulatory requirements.

It is readily apparent that for Italy's own particular productive and socio-cultural structure, which is characterized by a large population of small- and medium-sized enterprises that tend to be clustered in closely interconnected groups according to product type in circumscribed zones, acting locally takes on even greater significance in terms of the environmental and qualitative sustainability of geographically-localized systems, i.e., industrial districts.

Two different hypotheses are advanced in the present study. We first consider the possibility of introducing a distinctive ecological district label that indicates "sustainable product" as an eco-compatible example of

Italian district-based production. We then consider the potential utility of supplementing the environmental aspect of this label with a qualitative aspect designed to present a more complete image of the product in response to consumer expectations.

For both of these hypotheses it remains to be clarified whether the label should take the form of a "national" district label or more specialized ones. The former would provide a single distinctive label with variations adapted to specific circumstances, while the latter would be more specialized, concrete and reliable, applied to on a district by district basis with a different label defined for each type of production.

While the second option is more precise, it also involves further proliferation in the already abundant population of product labels, which would only create even more confusion from the consumers' point of view.

In the end, the first approach appears to be more effective, with a nationally-acknowledged a single generic label that responds to the different guidelines defined for different types of production.

Ecological district labels

These types of areas enjoy an enormous inherent potential for the application of effective ecological strategies. This is amplified by the fact that, in addition to the more typical elements already mentioned above, the strong ties between local actors and their environment allows them to exploit competitive factors in a setting that is directly connected to their own survival.

In this regard, after the initial impasse in Italy's entire productive network had passed, the districts shifted towards environmental management systems that seemed to acknowledge the need to publicize their sincere commitment to environmental concerns, even if the management tools were focused on processes instead of products. At present approximately eight (2) "Homogeneous Productive Environments" have already received EMAS APO certification, and the first experimentation with Ecologically Equipped Productive Areas (APEA) (3-4) has begun, although the scope includes industrial areas more generally and not just industrial districts.

The analysis that follows examines whether it would be best to apply district-based environmental labels by means of existing labeling schemes (the European Ecolabel and the EPD, for example), by means of product- or process- based environmental labels or via the expansion of quality labels to incorporate an environmental dimension.

The Ecolabel for district-based products

The European label applies to goods that have a low environmental impact in every phase of their life cycle. In the district setting, each phase of production is carried out by specialized companies with in-depth knowledge about their own particular stage or stages of production, and this makes it easier to confront specific problems as they arise.

On the other hand, the coordination required by the certification process is more burdensome than for Emas, because all of the many different participants in the supply chain must be equally willing to accede to the rigid requirements of Community regulations. As witnessed in other cases, there is some risk and uncertainty surrounding the acceptance of a single "sovereign" coordinator endowed with sufficient authority to provide firm guidance for other operators during the pursuit of common goals. A coordinator, however, could relieve some of the bureaucratic burden on others by dedicating itself to technical and organizational aspects that single companies typically perceive as obstructing their participation in environmental management mechanisms.

When the presence of a distinct legal entity is fundamental for EMAS, in this case a "district product" type of Ecolabel certification could be granted on a product by product basis within the same district or shared out among the relevant companies involved. Ecolabel, as a matter of fact, is a form of "vertical" mark based on LCA, which means that the suppliers for the company that submits the application must be incorporated in the process as well. This is often a problem for companies that work close together because it is often difficult for individual companies to seek out, find and supply guarantees for their own suppliers.

The issue could be simplified by enlarging to the district form: multiple companies from the same productive sector and supply chain could rely on a single district coordinator to initiate the label acquisition process, with the general advantage that there will be a tendency for their own suppliers to belong to the same group already.

This would represent a simplified form of Ecolabel inside of which the companies interconnecting through a common district coordinator during procedural phases, resolving problems with the mutual support of others who are facing the same situation and obtaining, at the end of the process, the label for the product produced by their virtuous district.

The "label of excellence" characteristic could instead represent a critical element for applying the label at the district level, because it would be inconceivable to confer the district level label the same role as the

product label that was designed for individual entities. It is not possible, in fact, to compare similar districts with homogeneous production in order to choose the one with the most "excellent" product.

In reality, it is quite rare for to find two districts to specialize in identical processes or final products, because these types of productive systems result from a conjuncture of historical, economic and social factors that are strongly determined by distinctive local factors and specific economies of agglomeration, both of which have inevitable geographic roots that vary from location to location.

It would appear to be simpler and more realistic to compare the different productive cycles of businesses from a single product category in order to define a sort of "range of tolerance" for the Ecolabel, where necessary, that specifies how well it satisfies the criteria defined for districts.

In this case, different "segments" of productive cycles that involve multiple businesses could be referred to "district versions" of the label criteria, the thresholds of which would be modified with the margin of tolerance so as not to exclude various smaller entities a priori. This type of revision would be especially useful in the hypothesis in which a minimum percentage of participating district businesses is necessary for the label to be issued. This is the only way to prevent competition itself from being undermined (through the simplifications and threshold "lowerings") by keeping companies from qualifying due to mere district membership alone. The main problem with label acquisition, however, is not technical in nature - it is economic and managerial. From the companies' point of view (5), label access boils down to a question of the costs and administration of numerous procedures and formal requirements as well as the compilation of the required application forms.

The district, from this perspective, could perform as a "springboard" for the label process itself. The documentation and procedures required for completing the applications and reports could be studied by an appointed committee, which would then report back with more comprehensible synopses, recommendations and advice. This could also encompass consulting work for laboratory testing conducted within the district itself, with the advantage of orchestrating the tests, which would have to be accredited in any case, to serve multiple companies from the group.

The main problem is about recognizing how the costs involved will pay off in concrete terms over time, which is especially difficult when the companies involved are already skeptical about the ecological label itself

as an investment in long-term gains. While public assistance and/or subsidized loans for SMEs (6) is not sufficient to overcome this skepticism, the presence of more direct financing could make more progress is conducted in tandem with an appropriate 'label awareness-raising' campaign both internal and external to the district. This could be a winning solution in terms of exports although some problems remain, such as the fact that not all European countries recognized the Ecolabel as a sovereign mark. The inadequate resonance of the European label has seriously hampered its development.

One of the most effective approaches to the problems described so far would be the creation of an efficacious and universally-approved district committee that dedicates itself to achieving group objectives. In the end, however, label acquisition should probably continue on a company by company basis in spite of the advantages of coordinating with other members of the same supply chain. The individual approach prevents less enthusiastic companies from 'free-riding' on the efforts and performance of others in the group. The imitation effect would then serve as a motor for the membership of other productive entities.

The Environmental Product Declaration

An alternative possibility would be to adopt one of the latest environmental product instruments to emerge: the EPD (Environmental Product Declaration) (7).

The Environmental Product Declaration is a document generated by the producer enterprise and contains objective and comparable information concerning the environmental performance of a single product. It has the simple scope of sharing the good's specific ecological characteristics with the outside world in the form of a LCA assessment the objectivity of which is guaranteed to conform to international regulations ISO 14040. The declaration is then validated by an independent authorized body that sanctions its credibility and validity. This communication instrument could be used, for instance, to demonstrate the reduced environmental impact of each intermediate product in a district's productive supply chain.

It is simpler than Ecolabel and benefits from its non-selectivity characteristic (the first major difference between EPD and the European mark), which should make it workable for companies of all sizes without any need for adjustments in the already-defined Ecolabel standards. This same characteristic, however, would have the negative effect of making the success of EPD highly dependent on comparisons made by consumers

themselves. The EPD, which is in fact a "declaration," leaves it up to the buyers who are shopping for eco-compatible products to compare the different EPDs for products from the same category and make their own conclusions in terms of who pollutes more or less rather than who makes the better use of resources. The EPD approach tends to overestimate the real capacity of consumers to make effective comparisons of different product declarations, however simple and brief they might seem. Consumers already evidence confusion when faced with labels of excellence that should, in principle, be even easier to understand (products that have the label are environmentally "better" than ones that do not).

The creation of an environmental product/process label or a quality/environmental quality label

This point of view represents a "synthetic" approach to labels and certifications that could be applied in two ways: through

- ✧ a "vertical" synthesis, through a product/process label for a single sector (e.g., environmental = EMAS and environmental product label)
- ✧ or a "horizontal" synthesis, with a product-specific label that includes multiple contexts (e.g., quality and environmental quality, both product-specific).

The first case involves building on pre-existing work with environmental management systems by integrating process logics with product logics (somewhat similar to product-oriented systems of environmental management) (8) by using indirect environmental aspects to connect the two instruments. The point is to expand environmental programming to incorporate upstream and downstream phases of the production process, such as design, packaging and disposal of the product at the end of its life cycle. Difficulties connected with control and the need to commit to a "mixed" (product/process) management tool that has not yet been addressed at either European or international levels (and even less so nationally) makes this hypothesis impractical, despite the fact that it would in fact "encompass" numerous existing labels into a single comprehensive label.

From a similar perspective of making it easier for businesses to manage the numerous types of certifications and improving comprehensibility for the consumer, the second hypothesis could be the one the one to encapsulate environmental aspects within a quality label.

Given the growing influence that environmental issues have on general perceptions of product quality in the eyes of the consumer, who is the main target for the message, this direction could be feasible. Upstream from this hypothesis, the greatest difficulty lies in the absence of international- or even national-level quality labels that are unambiguous, such as the ISO 9000 (quality system) for organizations or the environmental dimension of Ecolable products.

This shortcoming probably derives from the inherent difficulty of the task of establishing quality standards for many different products, a task which is instead simpler and more feasible for the "systems" that produce different products. To create a quality label that would be applicable to all productive sectors (and enhanced with the environmental dimension, in our hypothesis), it would first be necessary to come up with a generalized framework of application guidelines that acknowledges the most salient particularities of each different sector.

Inhibited by this challenge from the outset, qualitative labels tend to be defined on a sector by sector basis, and are often limited to specific characteristics. One could cite, for instance, quality labels in the foodstuffs field that ensure certain specific product characteristics, such as European DOPs or biological labels, as opposed to labels for specific productive sectors that refer to a certain specific characteristics (e.g., pure virgin wool).

Conclusions

This analysis has demonstrated the importance of districts for our country and shown two possible ways to frame them from an environmental point of view: expand the Ecolabel into these domains, or create a new label for the districts (uniquely applied, perhaps, to different types of production). Given the increasing demand, in any case, new incentives and better technologies will be needed to implement and maintain the mark, and suitable forms of publicity will be needed to teach consumers how to differentiate among competing products in these terms.

By focusing on the most promising environmental policy tools in the Italian context, new concepts and methods have been used

here to build on existing notions of geographically-based environmental management as part of the search for new approaches that could soon turn out to be unavoidable.

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