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The Emergence of a Standards Market: Multiplicity of Sustainability Standards in the Global Coffee Industry

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Abstract

The growing number of voluntary standards for governing transnational arenas is presenting standards organizations with a problem. While claiming that they are pursuing shared, overarching objectives, at the same time, they are promoting their own respective standards that are increasingly similar. By developing the notion of ‘standards markets,’ this paper examines this tension and studies how different social movement and industry-driven standards organizations compete as well as collaborate over governance in transnational arenas. Based on an in-depth case study of sustainability standards in the global coffee industry, we find that the ongoing co-existence of multiple standards is being promoted by the interplay between two countervailing mechanisms: convergence and differentiation. In conjunction, these mechanisms are enabling the emergence and persistence of a market for standards through what we describe as meta-standardization of sustainable practices. Meta-standardization leads to convergence at the ‘rules of the game’ level, but allows also differentiation at the attributes level, which is enabling parties to create and maintain their own standards. Our study helps to advance the understanding of transnational governance by explaining the dynamics of competing and collaborating non-state actors in constituting a standards market.

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Introduction

In the absence of intergovernmental regulation, voluntary standards have proliferated to address the challenges of sustainability in global value chains (Bernstein & Cashore, 2007). Often, multiple overlapping standards, developed by both social movement organizations and firms, co-exist and compete for adopters in the same sector despite being similar in design, content and intentions to regulate the transnational arena. Examples can be found in a range of fields, including coffee, cocoa, and many other agricultural, horticultural, forestry and textile products (Bartley, 2007; Gulbrandsen, 2008).

Although standards organizations claim to have an overarching objective of promoting sustainability, several observers criticize them for not consolidating standards setting efforts. Poor coordination, duplicated activity, increased certification costs and consumer confusion have led to the perception that parallel standards fail to provide an efficient and equitable means of promoting sustainability within global value chains (Fransen, 2011). We investigate in more detail how private standards organizations have maintained a discretionary space for the co-existence of multiple, partly similar, yet competing sustainability standards.

Specifically, we examine the dynamics that sustain multiple standards to exist in the global coffee industry. With several different standards promoted by both social movements and industry, the sustainable coffee sector provides an illuminating case for theory building. Using a problem-driven approach (Davis and Marquis, 2005), we identify the social mechanisms, convergence and differentiation, that work in parallel to stimulate a process we call meta-standardization. Whereas the notion of ‘standardization’ typically assumes consolidation of practices and norms into a uniform standard (Timmermans & Epstein, 2010), ‘meta-standardization’ allows for ongoing standards multiplicity. ‘Meta-standardization’ means that convergence happens at the level of core criteria and overarching principles (‘rules of the game’), whereas variety remains at the level of specialized attributes

allowing standards setters to maintain their own identities. This dynamic promotes the emergence and persistence of a ‘standards market,’ in which standards setters both collaborate and compete for standards adoption.

Our findings primarily contribute to work on transnational governance research and multiplicity of standards (Kolk, 2005; Rasche, 2010; Fransen, 2011). The concept of ‘standards markets’ provides a novel way of thinking about transnational governance processes, highlighting competitive and collaborative dynamics among non-state governance organizations. We offer the notion of ‘meta-standardization,’ showing how the tension between market competition and shared norms can influence the standardization process. We thereby inform the debate on whether standards multiplicity leads to a ‘race to the bottom’ or ‘healthy competition,’ driving private rule-setters ‘to continually innovate, and, in fact, increase their effectiveness’ (SAN, 2011). By analyzing a new market form based on the tension between market competition and shared, substantive objectives, the article further contributes to our understanding of the emergence of other socially driven, ‘moral’ markets (Biggart & Delbridge, 2004), e.g. ethical finance.

Studying the development and interaction of parallel standards over time as an inductive case (Yin, 2003) helps identify more general mechanisms underlying the co-existence of multiple social standards in related fields. So, although we examine the case of the sustainable coffee industry, the mechanisms identified and the framework proposed can be useful in understanding competitive markets for private governance forms within and beyond the context of sustainable trade and production systems.

Next we review the literature, describe the data collection and analysis, and present the case. Finally we develop and discuss a conceptual framework that describes the dynamics of standards markets.

Theoretical and Problem-Driven Motivation

Transnational Governance and Competing Standards

Transnational governance is attracting growing scholarly attention. The creation of transnational rule-making is argued to be a messy process of competing principles, with a complex web of actors in which no single actor is dominant (Braithwaite & Drahos, 2000; Bartley, 2007). Some scholars focus on the role of state actors, examining how regulatory institutions emerge in transnational arenas, e.g. the Stockholm Convention (Maguire & Hardy, 2006) and the Kyoto Protocol (Wijen & Ansari, 2007). Others examine the role of non-state actors in the emergence of voluntary standards for governing transnational arenas, e.g. forestry and textiles (Bartley, 2007). Voluntary standards setting is regarded as ‘a process in which non-state actors from more than one country generate behavioral prescriptions that are intended to apply across national borders’ (Dingwerth & Pattberg, 2009, p. 711), thereby filling the regulatory gap left by weak states (Brunsson & Jacobsson, 2000; Djelic & Sahlin-Andersson, 2006). Importantly, voluntary standards differ from transnational laws and regulations because rule-making power is not derived from sovereign authority (Bernstein & Cashore, 2007). Standards adoption is based on decisions of individual market participants. Yet, despite lacking a central enforcement authority, standards can have law-like effects (Terlaak, 2007) and become binding and enforceable rules through independent, third-party certification systems such as ISO 9000 (Guler, Guillén & Macpherson, 2002).

In the absence of an overarching regulatory body, several parties may promote their own standards to address the same issues. However, the mechanisms promoting the co-existence of multiple standards in transnational arenas are not clear. To be sure, research in technology and innovation studies identifies a number of mechanisms – increasing returns to learning

(David, 1985), network externalities (Arthur, 1989; Katz & Shapiro, 1986) and switching costs (Greenstein, 1997) – to explain why a particular standard becomes dominant or not in the presence of alternatives.

This dynamic is well-understood for technical standards, but less so for socially-oriented standards, i.e. norms addressing ethical behaviour, human rights and responsibility or sustainability. Socially-oriented standards have certain characteristics that suggest that different mechanisms may be driving the dynamics of standardization processes. Most importantly, there is an important political and normative dimension to socially oriented standards, i.e. their existence may be justified – at least rhetorically – in terms of public policy objectives. Also, concepts such as ethics, social justice and fairness are often ambiguous and contentious leading to ongoing re-negotiation (Reinecke, 2010).

These observations are particularly relevant in the area of sustainability, whose ambiguity and contested nature has been promoting the emergence and parallel existence of multiple standards to define sustainable practices.

The multiplicity of sustainability standards

A sustainability standard can be defined as a set of ‘voluntary predefined rules, procedures, and methods to systematically assess, measure, audit and/or communicate the social and environmental behavior and/or performance of firms’ (Gilbert, Rasche & Waddock, 2011, p. 24). Scholars show that social movements create standards leading to new ‘sustainable’ markets for certified products, such as grass-fed beef (Weber, Heinze & DeSoucey, 2008), organic food (Lee, 2009) and sustainable coffee (Kolk, 2005). Yet, as these ‘sustainable’ product markets evolve and mature, they become increasingly fragmented as other social movement- and industry-driven standards providers enter the market with their own versions of sustainability standards. Consequently, sustainable product markets are highly contested

arenas marked by disputes around the definition of ‘sustainability’ and, often, the co-existence of multiple standards, for example in forestry (Sasser, Prakash, Cashore & Auld, 2006), flowers (Riisgaard, 2009) and textiles (Fransen, 2011).

Studies show that these different standards schemes have surprisingly similar goals and are ‘remarkably similar in their organizational design, processes and rhetoric’ (Dingwerth & Pattberg, 2009, p. 708). While standards should communicate information about how goods are produced, processed and traded, ‘business, government and many others [are concerned] that the amount of standards are proliferating to a degree where it is getting confusing’ (ISEAL, 2010a) for both consumers (Mueller, Santos & Seuring, 2009) and companies (Jamali, 2010). In addition, multiple certifications incur increased costs for producers who adopt multiple standards to meet the demands of buyers (Mutersbaugh, 2005).

Thus, multiple standards are seen as an inefficient way to ‘organize’ a cost-effective, well-coordinated and equitable solution to the global challenge of sustainable production (Bitzer, Francken & Glasbergen, 2008). Yet, the ongoing multiplicity of sustainability standards has received very little research attention (Fransen, 2011). Specifically, little is known about how different standards setters manage the tension between competing for standards adopters and their joint objective of making global production systems more sustainable.

The Market for Sustainable Coffee

Coffee is widely regarded as a pioneering industry for sustainability certification. The United Nations 2005 World Summit defined sustainable development as the long-term prosperity of businesses alongside the ecological and social systems in which economic activity is embedded: in other words, the triple bottom line of economic prosperity, environmental quality and social equity.

Coffee ranks as the world's second most traded commodity in volume and trade. An estimated 25 million people around the world depend directly on coffee farming for their livelihoods. Two thirds of them are smallholders, with limited market power vis-a-vis a highly concentrated group of international buyers and facing highly volatile coffee prices (Muradian & Pelupessy, 2005).

A combination of factors triggered the emergence of non-state standards for sustainable coffee production: liberalization of the coffee market as a result of the dismantling of the International Coffee Agreement in 1989; state withdrawal from export and marketing activities in developing countries; shift in power from producing countries towards corporations in buying countries; increasing importance of food safety; and civil society actors' campaigns (e.g. Kolk, 2005).

Since 2000, certifications have grown by around 20% annually, establishing a growing, yet increasingly fragmented, market segment for sustainable coffee (see Figure 1). In 2009, global sales of sustainable coffee were an estimated 8% of all green (non-roasted) coffee exported worldwide, and in the Netherlands and US, it comprised 40% and 16% respectively (Pierrot & Giovannucci, 2010).

Insert Table 1, Figure 1 Here

Standards for sustainable coffee differ in terms of market volume, historical roots and sponsors, price premiums for farmers, and implementation systems (see Table 1). Organic (1978), Fairtrade (1988), SAN/Rainforest Alliance (1995) and Bird Friendly (1996/7) standards were created by social and environmental movement organizations. Fierce battles and campaigns by activists and consumers against well-known coffee brands (Conroy 2007)

made sustainability a concern for many mainstream operators. In the late 1990s, coffee roasters began adopting social movement-driven standards and using them to market their brands. But they also developed their own standards. UTZ Certified (1997), Nespresso AAA Sustainable Quality (2003) and Starbucks C.A.F.E. Practices (2004) were co-founded by private firms, often in collaboration with or modeled on social movement standards. These standards typically pursue more business-related objectives, such as traceability, and product quality. The Common Code for the Coffee Community (4C), a sector-spanning membership association, was founded in 2006 as the mainstream solution to global industry self-regulation (Manning & Von Hagen, 2010). Illustrating the ongoing growth of this sector, Illycaffè and the Norwegian certifier DNV (2011) developed a new “Responsible Supply Chain Process” standard for coffee.

Methods

In line with the inductive, problem-driven focus of this study, we employ a qualitative case study approach to identify the mechanisms driving the co-existence of partially similar, but competing sustainability standards. Qualitative case studies are suited to analyze empirical phenomena that are multi-faceted and complex. The analytical emphasis is on social processes (Langley, 1999). Closeness to and immersion in rich data in a focused analysis of a particular sector enables us to ‘get much closer to theoretical constructs’ (Siggelkow, 2007, p. 22).

Data sources

Our core data are 40 semi-structured interviews with participants and stakeholders in the sustainable coffee market. Interviews were conducted in 2006-7 and 2009-10, with staff members of standards organizations, particularly Fairtrade, the SAN/Rainforest Alliance and

4C. We also interviewed independent consultants, representatives of industry, government, developmental agencies and producer organizations. We identified interviewees using snowball sampling techniques, starting with existing contacts. Interviewees were then selected based on involvement in the standards development process. Interviews focused on the history of standards organizations, objectives, positioning strategies and views on competition between standards and future market trends. Most interviewees had strong personal interests in our research question and considered multiplicity an increasing problem. Interviews lasted 75 minutes on average. All but three interviews were transcribed verbatim.

Interview data were complemented by archival data and personal observations in industry meetings. We gathered publicly available information from standards setters, research institutions, coffee roasters, retailers and media websites and systematically searched annual reports, press releases, industry statistics and reports, standards documents, journal publications and a number of benchmarking studies.

Data analysis

Our analysis proceeded in three steps. First, we traced the historical development of individual standards, analyzing their objectives and compliance criteria. We then compared standards along various dimensions based on interviews, observations, websites, standards documents and existing benchmarking studies. Second, we focused on how standards were shaped through interactions among promoters. Accordingly, we conducted an inductive analysis of interviews and written material focusing on the co-existence of parallel standards over time. We coded and clustered interview data to identify how different standards organizations perceived and positioned themselves vis-a-vis each other.

To facilitate the third, most challenging step of the analysis, and to balance the need for rich description and theory development in our problem-driven work, we followed the

recommendation of Davis and Marquis (2005; see also Pajunen, 2008; Gross, 2009) to use mechanism-based theorizing. A mechanism can be defined as ‘a set of interacting parts – an assembly of elements producing an effect not inherent in any one of them’ (Hernes, 1998, p. 74, cited in Davis & Marquis, 2007, p. 336). These authors suggest that mechanisms can provide revealing explanations for complex social phenomena. They are not ‘universal laws’ that predict relations between variables, but ‘propensities to act’ that describe *how* relations and interactions form a ‘wheelwork producing a social outcome’ (Davis & Marquis, 2005, p. 337), here the emergence of a standards market.

To identify those interaction mechanisms, each researcher individually identified specific processes and connections that structured the relations among standards organizations. After several iterations and comparisons among the authors, we identified two interdependent mechanisms underlying the co-existence of multiple standards over time: convergence on objectives and certification practices, and differentiation of distinctive features, target groups and stringency levels. We then focused on uncovering the processes driving convergence and differentiation. For example, we found that one way that organizations align standards criteria is through the adoption of industry-level codes of good practice. We found that convergence and differentiation do not act in isolation, but in a continuous interplay promoting a standards market; we try to capture the social outcome of this dynamic with the term ‘meta-standardization.’

We developed a general model describing the dynamics of standards markets, which, aimed at ‘analytical generalization’ (Yin, 2003), may explain propensities to act that can be observed in other sectors.

The Constitution of a Standards Market for Sustainable Coffee

The co-existence of multiple standards for sustainable coffee can be perceived as paradoxical. Standards ‘share the goal of transforming the world's production systems and value chains to make them more sustainable’ (SAN, 2011), but there is fierce competition over market share rather than collaboration to achieve this objective. An interviewee from FLO-CERT described it as ‘Suddenly we are confronted with all this competition.’

On the one hand, standards setters present themselves as collaborators, sharing the same political agenda and working towards promotion of sustainable development. An informant from FLO commented, ‘I think it is a shame that we’re fighting against each other. We should all be fighting for the same goal, to have a more fair and sustainable trading system world wide.’

On the other hand, ‘standards compete just like companies and they invest a lot of money in marketing those standards - just like a brand,’ an interviewee from a development agency noted. Looking for reasons, a Fairtrade interviewee admitted that providers have an interest in self-preservation, autonomy, and increased market share:

‘It is an interesting situation...on one level [...] we are all sharing the same agenda: [...] progress towards sustainable development. [...] So the difficulty is, are we competing with Rainforest? And is Utz competing with Rainforest? Well, on one level, yes, because we’re all pitching for companies’ business, we all want to grow our own label.’

A joint statement from the executive directors of the three main sustainability standards initiatives, Fairtrade, SAN/Rainforest Alliance and Utz Kapeh, encapsulates the nature of their competitive and collaborative co-existence: ‘We accept that there is market competition between us, not least because we are different and, as long as this is healthy competition, we welcome it’ (SAN, 2011). This has resulted in a competitive market space whose existence is

largely accepted by participants. We call these social spaces ‘standards markets’.

Next, we analyze the mechanisms that have contributed to the emergence of a standards market and how participants have managed the tension between promoting a common objective, while maintaining their own identities.

Standards Differentiation

More or less intentionally, standards setters have created a competitive space within which standards can co-exist through differentiation, as a Fairtrade licensee explained: ‘It becomes more competitive on the supermarket shelf, and each label wants to say “We are the most sustainable. Buy me!” And for that to sustain you need differentiation on the standards side.’

Our findings indicate that standards differentiation is driven partly by the interests of firms and standards organizations in preserving their autonomy and identity, and partly by claims to moral authority over the definition of what a sustainability standard should provide. ‘Standards have their own objectives and they use their goals to position themselves vis-a-vis other standards,’ an industry expert explained. Accordingly, a respondent from the mainstream coffee industry framed the need for standards adoption as a matter of ‘choice,’ where different consumer demands favour a diversity of standards along different dimensions:

‘Consumers have different demands and different standards respond to this diversity. Standards are not necessarily cannibalizing each other. They position themselves in the same niche, but not in the same spot.’

However, market positioning is not tied solely to ‘consumer demands,’ but reflects different ideological roots and philosophies promoting sustainability (see Table 2).

Insert Table 2 Here

Emphasizing distinctive features of sustainability

Interviews suggest that standards setters utilize the ambiguity of sustainability in order to position themselves vis-a-vis other standards, sometimes through emphasizing particular aspects.

SAN/Rainforest Alliance and Bird Friendly emphasize the *environment* and focus on ecosystem conservation and wildlife protection. Their standards seek to preserve wildlife habitats that well-managed coffee farms can provide if the coffee is naturally shaded by the leafy canopy of native rainforest trees. Fairtrade, on the other hand, focuses on *social* issues, including the livelihoods of small farmers and their communities, and access to health care and education. Most standards require compliance with International Labour Organization (ILO) conventions, but Fairtrade especially emphasizes payment of a premium to farmers adopting the Fairtrade label, and the right of workers to organize for collective bargaining.

Standards also reflect the *economic* dimension of sustainability in different ways. Fairtrade initially aimed at promoting a ‘different’ market and restructuring the value chain to empower producers (Vanderhoff Boersma, 2009). A social movement activist commented that, ‘The aim has always been to change trade, to realize a kind of “powershift”, right?’ A key element, therefore, is a guaranteed minimum price and premium (US\$1.40 + US\$0.2 per pound for washed Arabica from April 2011). Fairtrade is the only standard requiring buyers to provide pre-financing and long-term contracts to promote farmers’ economic development. Other standards, especially those driven by private firms, do not share Fairtrade’s primary goal of shifting power relations. Instead, they interpret the economic dimension in terms of enhanced product quality and traceability as a source of economic benefit and a basis for

higher prices to be ‘freely negotiated between the individual buyer and seller’ (4C, 2010). However, all these organizations claim to address the economic pillar by focusing on improved farm management and increased productivity.

An SAN/Rainforest Alliance representative notes, ‘People really do believe in their own program,’ and explained that:

‘We’ve got birds [Bird Friendly], we’ve got rainforest protection [SAN/Rainforest Alliance], we’ve got sustainability through trade [Organic] and we’ve got traceability [UTZ Certified] and support for social development for farmers and protecting farmers’ prices [Fairtrade]. Five different perspectives, all valid to some or other extent [...] because [...] I suppose, civil society actors’ work [...] tends to be very much based on single issue stuff, [so that] single issue politics is that outcome.’

This extract shows that standards organizations recognize and accept each others’ agendas, but have different focuses as part of a joint development effort.

Targeting different producer groups

Standards organizations further differentiate themselves by addressing different target groups following market positioning principles. For example, in line with its political agenda, Fairtrade only targets small-scale coffee producers who are democratically organized, share profits equally and ‘run their farm mainly by using their own and their family’s labour.’ An FLO representative justified the narrow definition of their target group in terms of impact: ‘we never will be the biggest as Fairtrade, we want to be the most influential!’ With the differing aim of specializing in high quality coffee, Nespresso limits its AAA Sustainable Quality™ Program to its own producers that are selected based on coffee quality, stating that ‘only the top 1 to 2% of the world’s green coffee crop meets Nespresso specific taste and

aroma profiles.’

Such narrow definitions of target groups provide legitimate ground for other standards providers to target ‘mainstream’ producers. Both UTZ Certified and 4C were intentionally designed as mainstream sustainability approaches in response to Fairtrade’s policies and targeting, in particular. They thus promote their standards to producers of all types and sizes. A 4C respondent explained, 4C is ‘as diversified as possible so as to bring many producers in. [...] When 4C appeared on the stage, the lion’s share, 95% of the market, was not even certifiable.’

Offering different standards ‘levels’: baseline versus premium standards

A related strategy is positioning by ‘level’ of certification or what other scholars have called ‘stringency’ (Muradian & Pelupessy, 2005). Standards setters position themselves as either a baseline or premium standard both in terms of the proclaimed ‘level’ of standards requirements and their implementation.

4C is at one end of the spectrum where ‘baseline level means that producers exclude worst practices and achieve an average level of sustainability as a start.’ 4C seeks to make the ‘system comparatively easy for producers to enter’ (4C, 2010), e.g. with low entry criteria and low joining fees. A 4C representative explained, ‘We are as broad as possible to enable as many producers as possible to come in. Our entry criteria are rather low, focusing on unacceptable practices, and the next step [is] called continuous improvement. It’s very flexible.’

Rather than third-party certification, 4C uses verification, which is widely recognized as less stringent. 4C promoters, however, see their standard not as an alternative to other standards but as a starting point for ‘continuous improvement’ in order to pave the way for a ‘step up’

to certification by ‘more demanding standards’. A 4C representative explained that ‘The advantage for farmers, we hope, is that if they have the baseline of 4C then they can build on it with the other certification programs.’ Following a similar rationale of assisting in a gradual conversion to sustainable production, SAN/Rainforest Alliance allows firms to use their label if at least 30% of their coffee is certified.

Fairtrade, in contrast, claims that it has been ‘Leading the Way’ in the sustainability standards movement (FLO, 2010). Beside its unique premium price policy and other trade regulations, its third-party certification body was the first, in 2007, to become ISO 65 accredited, the internationally accepted norm for product certification systems. This is reflected in Fairtrade’s position within the hierarchy of sustainability labels. ‘It is a highly regarded label; it has a high status and high reputation,’ said a public relations officer at FLO. This positioning strategy may generate ‘social legitimacy’ switching costs (Greenstein, 1997) which makes it more costly for brands to switch to lower-level standards.

Standards Convergence

Differentiation processes are paralleled by convergence tendencies. An industry expert observed ‘Standards are occupying niches more and more, but at the same time they are becoming more and more similar.’ Next, we explore convergence in more detail (see Table 3) and how it has contributed to the emergence and persistence of a ‘standards market.’

Insert Table 3 Here

Emergence of a Common Sustainability Vocabulary

Our findings show that standards setters have mobilized a shared discursive apparatus to establish the purposes and identities of their standards, and to achieve legitimacy as players in

the standards market.

With the exception of Organic, which was codified into law in many countries, and Bird Friendly, a more stringent Organic standard for *shade-grown* coffee, all standards refer to sustainability in terms of the three pillars of social equity, economic prosperity and environmental quality, although the weights assigned to each may vary. This common vocabulary was the result of mutual observation and dynamic interaction among standards organizations. Over time, they have adopted each other's sustainability features to address the three dimensions. One coffee roaster observed:

‘When you look at the entire dynamics and history then they have all become more and more aligned with each other. For Fairtrade, social criteria used to be the main focus; for Rainforest, the environmental criteria stood out. Now you look at what has happened over the last 10 to 15 years and there you see much equalization. Fairtrade now also has environmental criteria and SAN/Rainforest Alliance now also has the social component.’

One example of the emergence of a common vocabulary is Fairtrade's adoption of more stringent environmental criteria in 2007 to match competing labels. In response to the rising popularity of SAN/Rainforest Alliance and Organic, Fairtrade realized that to be credible, a sustainability standard must include the environmental pillar. In turn, Fairtrade's economic principles, especially its minimum price, influenced other standards. UTZ Certified, Starbucks and Nespresso publicize the average price premium paid to producers to demonstrate the economic benefits of certification. In addition, Nespresso developed a tool to calculate ‘Real Farmers’ Income™’ as an innovative way to address economic sustainability beyond minimum prices.

There are also learning effects. Many industry-driven standards were developed with

reference to social movement-driven standards. A 4C representative described how standards organizations observe and respond to each other:

‘We developed the standard in dialogue. We looked at the standards of FLO, Organic, UTZ Certified, SAN/Rainforest Alliance, Starbuck’s C.A.F.E. Practices... [...] and sorted them according to economic, social and environmental dimensions [...]. And then our stakeholders discussed what we considered as really unacceptable practices that should be excluded in 4C.’

Through mutual observation, standards organizations aligned their criteria with the three sustainability pillars, while maintaining their identities, by emphasizing and insisting on specialized features.

Creation of Shared ‘Certification Platforms’

In a joint statement, Fairtrade, SAN/Rainforest Alliance and Utz Certified declared their ‘respect [for] each other’s mission and the unique focus each brings’ and the ‘complementary aspects’ of their diverse standards (SAN, 2011). However, this statement of what Braithwaite and Drahos (2000) call ‘mutual recognition’ of each others’ governance efforts is also an attempt to protect the collective legitimacy of the industry in the face of ‘perceived inefficiencies such as increased costs for farmers and confusion for consumers’ (SAN, 2011).

A sustainability consultant explained that ‘this multiplicity of standards is a nightmare for producers,’ particularly when they have to adopt more than one label to satisfy the requirements of various buyers. As a result, standards organizations have begun to make standards elements more compatible. A FLO manager explained how Fairtrade and Organic seek to reduce the level of complexity and costs for farmers:

‘If not through dual audits, then mutual recognition! So if a producer is Organic certified already, we don’t see a need to do an inspection of the environmental aspects of the Fairtrade standard. So that helps. That is an incremental piece towards harmonization.’

In 2008, 50% of Fairtrade and 15% of SAN/Rainforest Alliance sales were double-certified Organic. Also, Fairtrade collaborated with Starbucks and SAN/Rainforest Alliance collaborated with Nespresso’s ‘ecolaboration’ in dual certifications. To encourage adoption, 4C positioned itself more and more prominently as a collaborator providing an entry-step to more stringent standards. As part of their partnership, 4C automatically recognizes producers certified by SAN/Rainforest Alliance, and since June 2011, Utz Certified. This is an example of standards endorsement through the recognition of common coverage of standards elements, becoming the means to align approaches and create synergies among certification platforms.

Adoption of Industry-Level Codes of Good Practice

Standards convergence in terms of governance and implementation has been further re-enforced by meta-organizations (Ahrne & Brunsson, 2008) and their creation of *industry-level codes of good practice*.

ISO 65 accreditation, developed by the International Organization for Standardization (ISO), is increasingly considered ‘good business practice.’ Fairtrade, UTZ Certified and SAN/Rainforest Alliance have all decided to get their certification bodies accredited to signal credibility and professionalism. Verification standards (Starbucks, Nespresso, 4C) have begun to complement their own standards with external certification by Fairtrade, SAN/Rainforest Alliance and UTZ Certified, respectively.

The ISEAL Alliance, a global membership association for social and environmental standards systems, has developed various codes of good practice to facilitate harmonization. ISEAL's executive director publically justified the need for more collaboration among sustainability standards (ISEAL, 2010a):

‘We cannot continue to have this uncoordinated proliferation of standards systems where it is impossible to see the gaps, the overlaps, and where there is no clear understanding of how the different kinds of standards fit together. So that is a clear challenge facing the standards movement.’

ISEAL thereby acts as a market watchdog protecting the legitimacy of the sustainability standards movement; ‘If consolidation is not reached,’ a representative of ISEAL explained in an industry meeting, ‘the entire sustainability standards project has failed.’

Being a ‘legitimizing agent’ (Durand & McGuire, 2005), ISEAL membership further endows legitimacy to individual standards. ISEAL (2010b) describes its members as ‘leaders in their fields, committed to creating solid and credible standard systems.’ Members have to recognize formally the ISEAL Alliance ‘Code of Good Practice for Setting Social and Environmental Standards.’ This standardizes the process of standards development ‘to differentiate credible standards from other claims’ (ISEAL, 2010b). ISEAL thus contributes to the convergence of governance systems, for example, by institutionalizing multi-stakeholder representation and consultation.

Despite these drivers of convergence, standards continue to reproduce the positions they have created in order to maintain their own identities. A sustainability expert reported on a meeting facilitated by the World Bank in the early 2000s exploring the possibilities for a joint standard:

‘Discussion showed quickly: there simply is no interest in consolidation, none at all.’

There are simply too many groups involved – too many interests... Obviously, there is no interest in seeing their own standard disappear.’

Another informant from the coffee industry explained how corporate-owned standards allow firms ‘to leave the backdoor open’ and preserve autonomy: ‘Business practices might be in contradiction to standards developed by other entities. This is why corporations would rather invent a new standard.’

Autonomy is also ideologically motivated, which is particularly salient among social movement-driven standards organizations. Even if they engaged in collaboration and recognized the need to make standards more efficient, they would be reluctant to give up the distinct sustainability features of their standards, as this quote from an FLO respondent demonstrates:

‘But if we did consolidate, what would we consolidate on? Hm...? We’re not gonna give up on the social movement piece, we’re not gonna give up on the minimum price and premium, and there is probably a peak of other things that we wanna see come through, so, yeahhh....’

In sum, even though there are convergence trends, standards setters continue to differentiate their standards to preserve their autonomy and/or demonstrate ideological commitment.

Discussion

This study aimed at achieving a better understanding of the dynamics that sustain multiple standards with almost identical policy aims in the transnational arena. From a technical standards perspective, multiplicity in the absence of market intervention may not be an unexpected outcome (Genschel, 1997). But when standards organizations claim to pursue

collective objectives addressing social issues such as poverty, child labour and ecological destruction, an investment in ‘standards wars’ rather than a collective, unified solution seems a paradoxical outcome. To resolve this puzzle, we adopted a field-level perspective to focus on how the tension between market competition and shared objectives plays out in the interaction and interrelations among standards organizations.

The Constitution of Standards Markets

Following the advice of Davis and Marquis (2005, p. 337) to advance theoretical explanations for problem-driven research, we identified the social mechanisms, convergence and differentiation, underpinning the co-existence of multiple standards as the ‘wheelwork producing a social outcome’, here, a standards market. By standards markets, we mean arenas in which standards setters offer different, yet similar and mutually recognized standards that are close substitutes. To better understand what constitutes the social mechanisms, or ‘chains or aggregations of actors, problem situations, and habitual responses’ (Gross, 2009, p. 369), we focused on how interacting processes at the micro-level lead to more or less systematic macro-level effects. Based on the case of the coffee industry, we found that standards organizations who mutually observe and reciprocally position one another at the micro-level tend to engage in certain processes that, at the aggregate level, stimulate convergence and differentiation. Figure 2 illustrates the interplay between convergence and differentiation promoting the emergence of a standards market.

Insert Figure 2 Here

Three interacting processes are part of the ‘wheelwork’ promoting standards convergence. First, while the concept of sustainability is ambiguous and open to debate, a *common sustainability vocabulary* around the pillars of economic prosperity, environmental quality

and social equity has helped ‘narrow’ this concept through learning, imitation and mutual borrowing of standards criteria. A common vocabulary was not purposefully driven by a single standards setter, but reflects increasing pressure to legitimize individual strategies in the face of numerous alternative standards solutions (Deephouse, 1999).

Second, pressure to reduce the costs incurred by multiple certification schemes and the related threat to the collective legitimacy of sustainability standards as a viable solution to sustainable production has stimulated mutual recognition of standards and implementation systems. Standards providers explicitly or implicitly agree to make their products more compatible. Similar to alliances and production platforms in other industries, they create shared *certification platforms* that increase compatibility of technical certification criteria, while allowing product differentiation in brands.

Finally, *industry-level codes of good practice*, such as ISEAL’s ‘standardization of standards setting’ or ISO 65’s ‘certification of certifiers’, may lead to further convergence. This finding is in line with previous research on the emergence of norms for accountability and participation, such as third-party certification (Gulbrandsen, 2008) or the multi-stakeholder model of governance (Dingwerth & Pattberg, 2009).

Although standards setters agree on general objectives and definitions, they continue to differentiate themselves in their *emphasis on specific features*, their *targeting of different groups of adopters* and their positioning as *baseline or premium* solution. Sustained differences make standards markets the site of ongoing contest and concern. Market participants thereby actively participate in ongoing field-level debates and negotiation processes in which politics, agency and vested interests shape the interpretation of issues (Hoffman, 1999).

Meta-Standardization

While the ongoing dynamic of convergence and differentiation is unlikely to lead to a consolidation of standards into a single standard, it promotes what we call a ‘meta-standardization’ of sustainability standards. Meta-standardization is an important element in explaining why a market for standards might emerge and sustain. A market, by definition, implies the co-existence of multiple offerings. Yet making these offerings understandable to audiences is a collective process that requires the creation of a recognizable category as a source of collective identity (Navis & Glynn, 2010). To be recognized as legitimate, market participants must strike a balance between differentiation and agreement about product commonalities (Carruthers & Stinchcombe, 1999; Navis & Glynn, 2010) and conformity with rules and practices (Deephouse, 1999). The mechanisms of convergence and differentiation hence have been found to support the emergence and reproduction of other markets and fields (e.g. De Clercq & Voronov 2009; King, Clemens & Fry, 2011). Due to convergence, standards elements become partially ‘standardized’ at higher order, ‘rules of the game’ level, yet they vary at lower order level of specialized attributes, preventing full consolidation into a single standard. This allows standards setters to maintain their individuated identities and develop distinct solutions to promoting sustainability.

Meta-standardization thereby regulates competition by making individual standards responsive to emerging shared objectives, even in the absence of a central regulatory body. As standards setters converge over a certain normative understanding of core criteria and overarching principles of what sustainability standards should achieve, meta-standardization sets limits to what counts as legitimate and recognized solutions to the problem of ‘unsustainable’ production. But rather than creating fixed codes of behaviour (Terlaak, 2007), meta-standardization is an ongoing process, aimed at a ‘moving target,’ in which standards elements might be added or dropped over time, with the meaning of concepts and practices remaining in flux. Since standards setters also compete for conceptual ownership about what

‘sustainability’ should be, the concept of ‘sustainability standard’ is not static, but is shaped and re-shaped by the continuous interplay of convergence and differentiation.

In sum, meta-standardization helps individual standards organizations reach common ground on key overarching principles and practical templates on how to organize rule-making in the transnational arena. Yet, meta-standardization remains an open-ended alignment process that provides latitude for differentiation at the attributes level of an individual standard, with important implications for transnational governance.

Contribution to Market Formation Research

Our findings resonate with research on competitive dynamics in conventional markets. In his seminal work, White (1981, p. 518) defines markets as ‘self-reproducing social structures among specific cliques of firms and other actors who evolve roles from observations of each other’s behavior.’ Roles result from mutual observation and reciprocal positioning strategies, such as market segmentation (Porter, 1980; Carrol & Swaminathan, 2000; Dobrev, Kim & Hannan, 2001) and status differentiation (Podolny, 1993) that co-create the market space within which its participants compete.

Similar dynamics seem to be at work in standards markets. Standards setters observe and position themselves vis-a-vis each other to control their identities in their interaction with peers, thereby mutually adapting their sustainability standards. In line with Pfeffer and Salancik’s (1978) observation that markets can be highly organized systems, market participants also create alliances and support the regulation of competition, such as market entry regulation, to ‘control’ the degree to which a particular player or practice can be accepted as legitimate. For instance, the meta-organization ISEAL acts as a ‘competition watchdog’ that both controls and promotes the market. By permanently enacting and reproducing positions that are ‘entirely relative to the position of other producers in that

market' (White, 1993, p. 164), standards setters, more or less intentionally, co-create a competitive market space that allows multiple standards providers to co-exist legitimately.

However, standards markets differ from conventional markets in that they resemble moral exchange arenas, at whose base is 'a belief in a substantive good or value' (Biggart & Delbridge, 2004, p. 39). Previous research suggests that actors initially cooperate to establish and stabilize a collective identity and then, once the market space is established, begin to compete more outwardly (Navis & Glynn, 2010). In our case, however, different standards setters started as competitors who contested each other's moral legitimacy, and only hesitantly began to foster a collective identity when they recognized their common interest. Standards organizations also do not predominantly differentiate and insist on certain positions to gain (or defend) market share and generate revenue, but on expressions of value-oriented commitment (Hutchens, 2011). For example, it is highly unlikely that Fairtrade will abandon its objective to target smallholders or make their premium-price policy 'optional' (e.g. by introducing a Fairtrade 'lite' label) simply to gain market share. Social movement-driven and industry-driven standards organizations recognize each other as collaborating partners in the sustainability standards movement, thereby building a 'transnational community' around a collective frame of action (Djelic & Quack, 2010). Competition is embedded in and limited by a shared, long-term orientation towards common values. This is why, for example, standards organizations respond to increasing certification costs by promoting compatibility between partially competing standards to increase the overall acceptance and feasibility of certification.

Contributions to Transnational Governance

Transnational governance scholars have looked at the proliferation of voluntary standards in various fields, but are only beginning to understand the impact of multiple standards for

governing transnational arenas (Kolk, 2005; Fransen, 2011; Rasche, 2010). To capture this dynamic, we conceptualized parallel standards as competitors in a ‘standards market’ that position themselves in dialogue but also in contradistinction. While previous research has examined the political struggles among social movements and corporations implicated in the creation of voluntary standards, with competing agendas and rival problem definitions (Bartley, 2007), our findings illustrate the changing role of social movements in the markets which they create. Social movement-driven standards continue to play an important role not only as collaborators in industry-driven standards, but also as influential players in the process of meta-standardization. We therefore challenge the dichotomous view on standards multiplicity as either a ‘source of innovation’ or ‘confusion’ (Bendell, 2005; Fransen, 2011; Gilbert et al., 2011), which eventually initiates a ‘race to the bottom’ (Bitzer et al., 2008).

First, meta-standardization, as an important driver of standards market dynamics, promises a regulatory effect on the competitive space. As already noted, standards market participants, despite their competing strategies and political aspirations, have a shared interest in standards dissemination to promote sustainability. Part of this dynamic is the process of establishing common ground on baseline criteria for ‘legitimate standards’, which may counteract the often criticized ‘race to the bottom’. Market participants want to secure their roles as participants in a legitimate political project and collective movement. By positioning themselves as premium standards, social movement-driven standards maintain the bar of what is legitimate for industry-driven standards, but collaborate to create enabling partnerships and construct joint certification platforms. Rasche (2010) suggests that such forms of ‘collaborative governance’ among participants may work to pool resources more efficiently, exploit complementarities and strengthen existing collective efforts.

Second, standards markets can provide possibilities for ‘trading up’ (Vogel, 1995). It is often argued that standardization stifles (technical) innovation (Garud, Jain & Kumaraswamy,

2002), while competition stimulates experimentation and innovation in certification and adoption. Competition among standards may hence encourage continual reassessment of a given standard relative to competing standards. Rather than having a single agreed-upon standard that defines the new market, standards setters contribute to an ongoing debate about how sustainability in coffee production and trade can be translated into concrete practices. Mutual observation promotes continuous learning, including the adoption of ‘best practices.’

Third, standards markets illustrate how private, decentralized actors can collectively expand the scale of self-regulation. Alternative, yet partly complementary, standards solutions have made certification a legitimate option and even expectation for various industry players. This finding is in line with suggestions that competition for solutions to collective action problems may encourage the mobilization of supporters (Andrews, 2002; Ingram & Inman, 1996). A greater number of market participants may contribute to institutionalizing sustainability certification as an expected business practice, as was the case in sustainability reporting (Etzion & Ferraro, 2010).

From a critical perspective, the notion of ‘standards market’ offers a fresh perspective on the ‘marketization’ of governance in the transnational space (Djelic, 2006). It points to the ways in which private market regulation may become influenced by competitive dynamics. Standards competition may deepen some of the problems observed with respect to voluntary standards, such as corporate capture and short-termism, displacing more integrated approaches to systemic sustainability challenges and long-term social empowerment (Levy, 2008). While meta-standardization establishes common expectations about, for example, a particular certification model, industry-dominated schemes may emulate these templates as fashionable solutions to divert criticism from their activities (Gulbrandsen, 2008; Khan, Munir & Willmott, 2009). Fairtrade, for example, was created to provide a means for ‘contestation by subordinate groups in complex dynamic social systems’ (Levy & Egan,

2003, p. 803) with the goal of reconceptualising power relations in global commodity chains. In her ethnographic study of Fairtrade, Reinecke (2010) observes that minimum price setting for coffee was significantly influenced by concerns over whether an increase in price would result in 'loss of market', if coffee roasters and retailers switched to competitors' labels. Also, efforts to cooperate may fail, as Fransen (2011) observed in the garment industry. In the coffee industry, cooperation, although increasing, is in its infancy. Given that it is producers in the Global South, rather than consumers in the North, who are negatively affected by costly certifications and incompatible standards, standards organizations need to do much more to re-direct resources away from duplicating administrative and implementation costs of (multiple) certifications towards real investment in sustainable development.

Implications and Directions for Future Research

Instead of homogeneity and convergence, standards markets show a surprising degree of multiplicity and plurality, and continuously evolve and change. Our findings explain why the co-existence of multiple sustainability standards might sustain. We propose some general conditions for the emergence of standards markets as differentiated competitive spaces. First, the absence of an overarching authority, such as a state government or industry association, creates a space that allows private actors to become involved in regulation. However, even in the case of Organic, the only standard that has been codified into law in many countries, a number of different labels continue to co-exist and compete (Lee, 2009). Second, this suggests another more general condition for the emergence of standards markets: the existence of normative disputes about the object or quality to be standardized. Ideological differences in interpretation stimulate competition over conceptual ownership and moral authority (Shamir, 2008). For example, multiple standards initiatives have emerged in the voluntary carbon offset market, offering competing interpretations of a technically, ethically and politically complex commodity (Kollmus, Lazarus, Lee, Lefranc & Polycarp, 2010).

Relatedly, conflicting political and strategic interests may encourage newcomers to develop alternative standards. In the case of coffee, but also in textiles (Fransen, 2011) and forestry (Sasser et al., 2006), firms invest resources in the development of alternative standards, even when internationally recognized standards are available. Third, the ability to make standards transparent for consumers, e.g. through a product label, makes them strategic objects for market positioning. Given this positioning opportunity, multinational roasters typically adopt and use different standards certifications to address different regional consumer markets (Manning et al., 2011). Fourth, the possibility of modular overlap, e.g. through certification platforms, enables competitors to agree on the compatibility of implementation criteria and monitoring without completely compromising competition (Besen & Farrell, 1994). This encourages multiple adoptions and reduces switching costs on the implementation and the front-end marketing sides.

We cannot determine conclusively whether these conditions are necessary or sufficient for the emergence of standards markets. The sustainable coffee sector is a young, growing and increasingly fragmented segment that has changed considerably since 2000. An important question for further research is to determine to what extent and under what conditions our findings are applicable to other arenas.

Clearly, a comparative study of sustainability standards in sectors, such as in forestry, textiles, flowers, fisheries, would be useful to elaborate the conditions under which we might expect the emergence of standards markets rather than consolidation to a single standard. This should also investigate the role of meta-standardization in ‘organizing’ standards markets. Given that many standards setters are active in more than one sector, future cross-sectoral studies could contribute to a better understanding of the role of standards markets in transmitting definitions and practices across sectors. Furthermore, since our focus was on the interaction among standards organizations, we do not provide detailed insights into how

increased marketization affects the governance and implementation of individual standards. Therefore, more research on the (long term) impacts of standards markets is needed.

Future research could also compare how the field-level dynamics of standards competition plays out differently in the context of technical versus social standards. Our findings suggest that, in contrast to technical standards where strong positive network effects have been observed to explain standardization processes, in our case ideologies, values and normative legitimacy may be important factors promoting the emergence of (social) standards markets. This finding is based on observations in the global coffee industry, but could have implications for the co-existence of parallel standards in other sectors, such as carbon offset, corporate responsibility (Jamali, 2010) or parallel MBA accreditations (EQUIS versus AACSB; see Durand & McGuire, 2005).

The literature on technical standards often overlooks the important role of ideology in the process of standardization. Ideological factors of competition may be observed in certain technological standards, e.g. open source software such as the LINUX operating system. Here, the preservation of an ‘open standard’ reflects a ‘copyleft’ philosophy, which expresses a political stance against the *copyright* ideology (Mustonen, 2003). That is, the social and the technical may be more intertwined than the technology management literature suggests and we need to pay more attention to how technology construction grows out of the ‘sociopolitical process of compromise’ involving ideologies, norms and values (Hargrave & Van de Ven, 2006, p. 877; Bijker, Hughes & Pinch, 1987).

Conclusion

The central construct of this study, standards markets, offers a novel and, we hope, provocative way of thinking about transnational governance arrangements where co-existing voluntary standards ‘offer’ different regulatory solutions. These competitive fields are

increasingly important forms of private market regulation that addresses global issues and may transform business practice, while also providing new challenges for standards setters, industry players and policy-makers. One challenge is that standards markets turn the contentious political struggle over the meaning of sustainability and the distribution of power in global value chains into a competitive struggle for market share. While driving market growth, social movements, such as Fairtrade, become implicated in the competitive logic they initially contested and struggle to challenge unsustainable and inequitable growth patterns on a more systemic level.

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Tables & Figures

Table 1: Comparison of major sustainability standards in the coffee industry

	Third-Party Sustainability Programmes				Corporate Programmes		Sector initiative
	Fairtrade Certified	SAN/Rainforest Alliance Certified	SMBC 'Bird friendly'	UTZ Certified	Nespresso AAA Sustainable Quality	Starbucks C.A.F.E. (Coffee and Farmer Equity) Practices	The Common Code for the Coffee Community (4C)
Main objective	Focus on development/ poverty alleviation. Guaranteed minimum price and premium.	Improve environmental and social conditions in tropical agriculture. Focus on conservation /biodiversity.	Preserve the habitat of migratory songbirds. Organic shade-grown coffee.	Create transparency along the supply chain and reward responsible coffee producers.	Source sustainable highest quality coffee in a way that is respectful of the environment and farming communities.	Good social and environmental performance minimizing negative environmental impact.	Provides a step up standard from the sustainability baseline to more demanding standards.
Certified coffee sales / supply (in 2009)	73,781/ 165.000 MT	About 87,583/ 124.000 MT	About 3,000 MT	82,058 / 308,000 MT	13,000 /13,000 MT (2008)	135,910 / 135,910 MT	29,520 /270.000 MT
Launch	1988 (Max Havelaar/NL)	1987 (Coffee: 1995)	1996/7	1997	2003	2004	2006
Initiator	Social Movement/ NGO	Social Movement/ Researchers/NGO	The Smithsonian Migratory Bird Center (Research Institute)	Firm (Ahold Coffee-NL) in cooperation with Guatemalan coffee supplier	Firm (Nestlé-CH)	Firm (Starbucks-US)	Government/ Industry (Kraft Foods - Jacobs Kaffee, Nestlé/ German development agency GTZ)
Price premium	US\$1.40 + 0.2 per pound for Arabica in 2011	Flexible.	Flexible. Organic premium.	Flexible, at least US\$0.01 per pound. Average premium for Arabica US\$0.057 per pound in 2009	Flexible. Premium segment. Average premium 35% above New York market / 'Real Farmer Income'	Flexible. Premium segment. Average US\$1.47 per pound in 2009	Flexible. Market Conditions.
Label (% of certified ingredient)	Yes (100%)	Yes (at least 30%)	Yes (100%)	Yes (100%)	Business-to-business	'Starbucks Shared Planet' (100%)	Business-to-business
ISEAL Membership	Yes	Yes	No	Yes	No	No	Yes

Table 2: Standards Differentiation

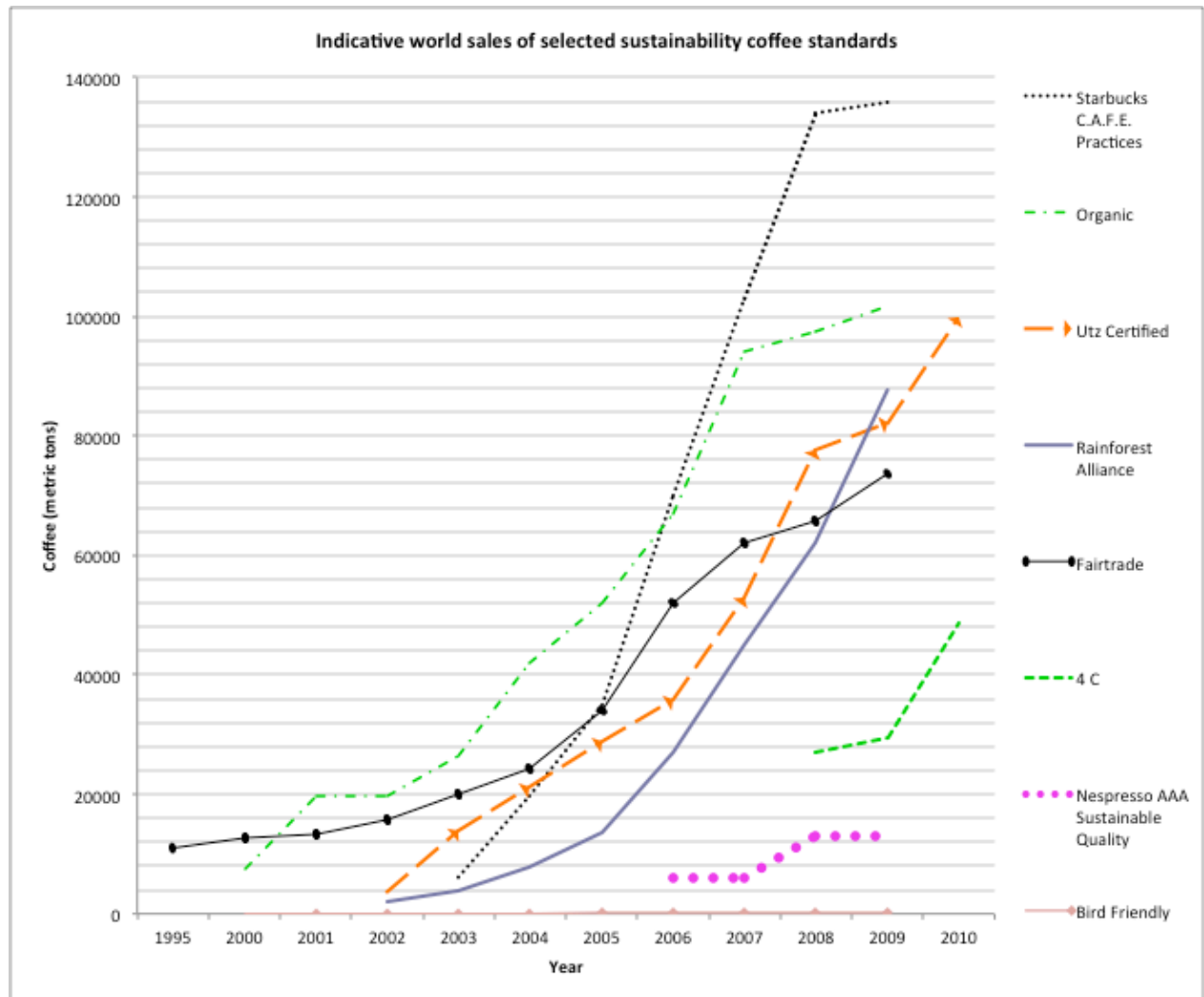
Standards Differentiation			
'All these certification schemes have a kind of common ground, 60, 70, 80%... but they have these other 20% that is different.' (Coffee Industry)			
<i>Standard/ Principle of differentiation</i>	<i>Emphasis on distinctive features of sustainability</i>	<i>Different target groups</i>	<i>Different 'levels' of stringency</i>
Fairtrade	Fixed price premium & 'social justice' movement	Narrow: Small-scale producers only	High: Premium for social and economic aspects. Third party certification, ISO65 accredited.
SMBC Bird Friendly	Song birds & organic shade-grown coffee	Narrow: Organic + shade-grown coffee producers only	High: Premium for environmental aspects. Third party (Organic) certification.
SAN/Rainforest Alliance	Biodiversity conservation & 'green' movement	Midrange: Big and medium sized estates of shade-grown coffee producers only	High: Premium for environmental aspects. Third party certification. ISO 65 accreditation planned.
UTZ Certified	Transparency in supply chain & responsible production	Broad: Producers of all sizes and production types	Medium across pillars. Third party certification, ISO65 accredited.
Starbucks' C.A.F.É. Practices	High coffee quality that is sustainably grown	Narrow: High-quality, Starbucks only coffee growers	Medium across pillars. Third-party VERification
Nespresso AAA Sustainable Quality	Superior coffee quality that is sustainably grown	Narrow: High-quality, Nespresso only coffee growers	Medium across pillars. Third-party VERification
4C	Baseline standard with step-up	Broad: Producers of all sizes and production types	Low: Baseline across all pillars. Third-party VERification
	<p>Different interests of standards promoters</p> <p>'Standards with strong NGO involvement have stronger ethical goals.... Corporate standards are following a business agenda. They aim to occupy another segment in the market.' (Development Agency)</p> <p>Historical identity as 'unique selling point'</p>	<p>Market segmentation</p> <p>'I see the big standards going for market share.' (Producer)</p> <p>'Labels like Fairtrade work better as niche standards.' (Coffee Industry)</p> <p>'Someone needs to be the innovator and cutting edge. ...I think we shouldn't be Microsoft, but Apple. We should not</p>	<p>Baseline standard as a step-up</p> <p>'Multiple standards do make sense when you can build on one standard and from there take a step onto the next. I think 4C works as a good basis for "step-up".' (Consulting)</p> <p>Positioning as premium standard</p> <p>'Compared with other</p>

	'But why is this market there? Because 50 years ago it was started by idealists...' (FLO)	aim at taking over the whole market, but be the innovative one.' (FLO)	ethical certification schemes...I believe that we have higher standards, and that's the difference.' (FLO)
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Table 3: Standards Convergence

Standards Convergence		
‘On paper, standards all look the same’ (Rainforest Alliance)		
<i>Emergence of a common vocabulary</i>	<i>Creation of shared certification platforms</i>	<i>Adoption of industry-level codes of good practice</i>
<p>Adoption of the triple bottom line</p> <ul style="list-style-type: none"> • Environmental sustainability • Social sustainability • Economic sustainability <p>Learning effects</p> <p>‘Standards are based on other standards; some parts seem to be adopted from other standards.... It’s a bit like a self-referring system.’ (Coffee Industry)</p> <p>Social pressures</p> <p>‘Then you also have social pressure between standards. They influence each other and if a critical mass addresses an issue, you can be sure that their competitors will react in doing the same.’ (Consulting)</p>	<p>Dual labeling & Harmonizing certification</p> <ul style="list-style-type: none"> • Dual certification audits • Endorsement of other standards (elements) as equivalent <p>Promoting compatibility of standards elements</p> <p>‘Benchmarking building blocks need to be identified that are compatible.’ (Coffee Industry)</p> <p>Efficiency for producers</p> <p>‘In order to create more efficiencies and clarity for producers, Fairtrade, SAN/Rainforest Alliance and UTZ CERTIFIED are working together to reduce the level of complexity and costs for farmers. We share a commitment to independent third party certification.’ (SAN, 2011)</p>	<p>ISO 65 Accreditation</p> <ul style="list-style-type: none"> • Certification of certifiers ‘We now have a new level of accountability that comes in the form of ISEAL...that is the “certification of the certifiers”’ (SAN/Rainforest Alliance) <p>ISEAL Codes of Good Practice</p> <ul style="list-style-type: none"> • Credible Standard-Setting Processes • Credible Impacts Assessment <p>Strengthening credibility</p> <p>‘ISEAL is very important to strengthen your credibility when you can say I am complying with this code.’ (FLO)</p> <p>Enabling harmonization</p> <p>‘ISEAL is promoting collaboration and working on harmonization.’ (Development Agency)</p>

Figure 1: Sustainability standards and certified coffee sales



Source: Respective standards organizations; Giovannucci & Pierrot (2010)

Figure 2: Two Countervailing Mechanisms in the Constitution of Standards Markets

