Multi-National Business Enterprises:

Go Green Compost Us

Practicum Project

American University

School of International Service

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Executive Summary

This project provides the opportunity to position an internationally operating Dutch company, Go Green Compost US, for success in the United States of America. Our team operates as business consultants for the issues our client identifies as important, and necessary, for the business. Based on these issues, our team conducted research to thoroughly address each area, with the highest level of efficiency. The Go Green Compost US team is comprised of Elizabeth Robinson and Kylie Mason. Elizabeth Robinson is a second-year Master’s candidate at American University where she studies International Communication with a concentration of Public Diplomacy and Strategic Communication. Kylie Mason is also a second-year Master’s candidate at American University, studying Global Governance, Politics, and Security with an emphasis on security studies and government policy.

Our team focused on transnational trade between the European Union (EU) and United States (U.S), focusing on the importation of Go Green Compost Us’ products. We also researched factors such as current market demand, trends in sustainable living, and potential marketing strategies. Current trade negotiations between the EU and U.S. were also included in our research for their potential to impact Go Green Compost Us. Overall, our team concentrated on how Go Green Compost Us could most effectively build a profitable business here in the United States.
I. Methodology

The project goal agreed upon by company contact, Martin de Groot, and our team consisted of research and recommendations for future research. After consulting with the company Go Green Compost Us (GGCU), we drafted the following objectives to complete:

- Offer new name for company
- Snapshot of recommendations on direction of future market expansion
- Create comprehensive summary of trade regulations concerning import of product and tax incentives for use of product
- Establish a working plan for future practicum group to further expand this company

Currently, another company has already registered the name “Go Green” with the U.S. Patent & Trademark Office. In order to boost GGCU’s competitiveness, we researched a variety of potential new names for the company. We attempted to incorporate current buzzwords for sustainability while also conveying, the unique status of GGCU’s products. In brainstorming new names we consulted with external sources for their suggestions as we believe consumer-demand could be extremely valuable for GGCU.

II. Company Profile

To begin our research, we established a firm basis of knowledge about the company for which we were consulting. Their current company description is as follows:
“Go Green Compost Us is an internationally operating trading company in environmentally friendly, fully biodegradable barrier food packaging. Go Green Compost Us realizes that climate change affects all of us. Go Green Compost Us is the initiative of 2 international companies with more than 30 years of experience in the packaging industry.”

Go Green Compost Us presents itself as the future of top-seal packaging, however their product brings the future to their customers. By using a secret, innovative mixture to seal sugarcane pulp containers, the food packaging transforms from a common sustainable food container to a freezable, heatable, liquid-resistant food container. The nature of these products certifies GGCU as eligible for both the “Cradle to Cradle,” label, as well as certification by the US Composting Council. Both of these denote a product being fully compostable, and entirely plant-based. GGCU’s strong environmental component translates into strong marketing potential for the company.

III. Marketing Strategy

Marketing Demand

As mentioned, there is increasing market demand for sustainable lifestyle products such as GGCU’s compostable containers. The EU and U.S. are currently the two largest organic markets in the world, with the U.S. spending over 10 billion USD annually on green products. These figures translate into concrete market demand for GGCU’s products. The EU has a more organic
products market currently, however the U.S. market is rapidly growing. A major reason Europe outpaces the US when it comes to the amount of sustainable and organic products is partially due to European state’s government incentivizing producers to become more sustainable.

As displayed in Figure 1 above, European states and the U.S. have some of the world’s largest ecological footprints. Growing awareness of environmental impact has pressured numerous companies to research curbing their own environmental effects. This awareness is present amongst private consumers as well and has led to the new moniker, “conscious consumerism”, or consumerism that is focused on reducing its ecological footprint. GGCU’s products appeal to many environmentally aware Americans who seek to live a “green lifestyle” of reduced waste, and smaller environmental impact. By utilizing compostable products, companies are able to market themselves successfully to a different sector of customers and increase profit.
While GGCU’s products are more expensive, a cost-benefit analysis shows that their sustainable component could prove to be hugely beneficial for companies looking to market to the “conscious consumer.” Go Green turns the possible waste of a non-compostable food container, like Styrofoam, into a material that not only fully decomposes, but also enriches surrounding soil.

**Marketing Plan**

As discussed above, marketing would be a major component in cultivating GGCU’s domestic success here in the United States. It would need to establish a strong brand around itself and successfully convey its green status. One of the most important factors in effective marketing is a product’s name. As discussed, GGCU’s name is already registered by another company stateside. We believe this is an ideal opportunity for the company to best rebrand itself to the U.S. market. Part of our research focused on brainstorming concepts and potential name ideas for GGCU. To help in our conceptualization process, we created a Wordle™ to try and understand GGCU’s self-image. This is done by using text from a company’s website and then generating the most often used words and phrases. The larger the word is displayed, the more often it is repeated in a company’s marketing materials. As displayed in Figure 2 below, GGCU reiterates the following words the most often: “packaging”, “compost”, “product” and “Go Green.”
Branding

Major marketing analysts agree on the below five points for building a strong brand based on a product’s name. Go Green Compost Us’ new name choice, “BioTrays”, follows this marketing strategy, which should aid in its domestic success.

1. **Make it brief** - “BioTrays” is a short phrase and easy to remember. This will make it quicker to convey the company’s brand. With the catchy name that quickly conveys the nature of the product, the possibility for future buyer recognition increases and enhances the ease of marketing.

2. **Create a positive image** – The term “BioTrays” also triggers the customer’s subconscious to trace their personal environmental output, and hopefully incentivizing the customer to choose more compostable products.

3. **Create visual appeal** - The use of the moniker “bio” appeals to conscious consumerism as it reiterates the biologic impact that they are attempting to reflect.
4. **Be consistent** - The briefness of the name allows for GGCU to easily print it on all its materials and be consistent in its stateside usage of the term.

5. **Be unique** - The uniqueness of this product is conveyed through its name, which has not been registered to any other companies in the U.S., and there are no similar names that we came across in our research.

IV. **Production**

*Product Origin*

We begin with China where these products are manufactured. The sugarcane utilized by Go Green starts as a waste by-product of sugar production, meaning the product starts off already repurposing plant waste, making it ultimately compostable. While some companies promote their “green” practices by incorporating a certain percentage of plastic that comes from previous recycling, Go Green’s product truly takes “green” to a new level. A large portion of the product’s attractiveness lies in it not only being green and compostable, but also in its recycling of original waste. Once the sugarcane pulp waste has been repurposed into containers, the base containers are shipped to The Netherlands for the top-seal coating.

*Country Profile: The Netherlands*

The 2015 “Doing Business” Report commissioned by the World Bank also ranks the country as 27th out of 189 on its ease of doing business scale, as you can see in Figure 3 below. They are also ranked very high on their ease of cross-border trade-13th out of 189 countries, with a current GDP of 853 billion USD. This translates into a more efficient exporting standard for GGCU,
which is very important for the company. Another benefit from GGCU’s Dutch background is the fact that 4 out of 25 of the world’s top food and beverage companies are Dutch, meaning it might be easier for the company to expand into these company’s markets. The cultural similarities between the Netherlands and the U.S. also mean greater agreement on numerous product standards, easing the product’s import into the U.S. market.

Figure 3: Ease of doing business in the Netherlands
V. Product Certification

Labeling the product is critical in conveying product information to potential vendors and end-consumers. A key question in our research was: “What meaning do words such as ‘organic,’ ‘environmentally friendly,’ and especially ‘green’ mean?” In the U.S., some popular products have labeled themselves as “green,” when in reality, only 10% is recyclable. A prime example of this would be the Starbucks coffee cup, which uses an “85% post-consumer-fiber cup sleeve”, meaning that while only the sleeve is recycled, it still qualifies as a green product. The greatest challenge presented to GGCU is how to accurately communicate the greenness of their product. GGCU has a strategic advantage with its products; it not only exceeds current green certification standards but also effectively utilizes the waste-by product of sugarcane production, increasing its sustainable component.

There are significant cultural implications of words such as “green,” and “environmentally friendly.” By labeling appropriately, GGCU can use these labels to their advantage as well. In order to most effectively advertise its sustainability, GGCU should explore external certifying companies which could label the product with certain monikers, attesting to its sustainability.

*Current Certification*

Currently, Go Green labels itself with a few external verifications. Its current EN-13432 Standard, “Cradle to Cradle” identification, and U.S. Composting Council certification by the provide a decent indicator to potential buyers that the food containers are the compostable, green products. Product certification will also be beneficial from a trade perspective, allowing easier
cross-border flow of goods. Government labeling was a major research focus because government regulations require labels for trade to be legally complicit, regardless of its advertising potential to customers and consumers.

Already, GGCU’s products fulfill the requirements of the EN-13432 Standard. This entails being compliant with the European Directive 94/62/EC that:

1. Encourages “all member states to engage in waste prevention and promote the reuse of packaging waste,
2. Coordinate and harmonize all initiatives in this context so as to ensure the flow of trade is unimpeded in the European Union and prevent anti-competitive practices.”

The labeling of the product with the EN-13432 Standard promotes the product internally within the EU and gives it a competitive advantage. The US does not have a clear counterpart law, bill, or directive in place. The labeling for the US becomes important in two respects then:

1. Government compliance for trade
2. The non-governmental certification that the product should be desired by the end consumer, and therefore provide the pull of demand on vendors to buy the product.

As mentioned previously, the US organic sector has been growing at a steady rate. The growing U.S. interest in “conscious consumerism” provides the ideal opportunity for GGCU to provide a food container for the food these consumers seek. For the greatest market profit, we recommend GGCU look into U.S. regions with a high volume of sales in the organic food sector, for example,
the Pacific Northwest or certain parts of California. While this project did not afford enough time for this team to survey this particular matter, the team highly recommends that research be conducted in the future to see where in the U.S. Grow Green’s marketing efforts should be concentrated.

The EN-13423 Standard is currently regulated by a “competent third party” for the government, and is denoted by the OK compost check mark symbol. This mark shows that a product has a chemical composition free of volatile materials and heavy metals, that at least 90% of the matter will be broken down within 6 months, that after 12 weeks (3 months) at least 90% of the matter should be able to pass through 2x2 mm net, and that the “ecotoxicity” of the surrounding soil is not increased by added food packaging material. GGCU’s products meet all these requirements and therefore, regulations should be easily met.

Stateside Labeling Process

The two United States agencies regulating domestic labeling requirements are, the U.S. Department of Agriculture (USDA) and the US Food and Drug Administration (FDA). According to the U.S.D.A’s Food Safety Inspection Service (FSIS), the EU regulations exporting and importing pertain extensively to meat, poultry, and egg products. US labeling requirements and regulations for international trade of plant products are comparatively lax. The U.S. Small Business Administration (SBA) website provides links for food industry businesses detailing the proper labeling1..
V. Business Certification

There also exists the possibility of green business registration through several different non-governmental sources, mostly from non-governmental organizations (NGOs). “Cradle to Cradle” is one such certification from the NGO, *Cradle to Cradle Products Innovation Institute*, certifying products made from natural materials and fully compostable. Beyond this listing, GGCU also holds certification with the U.S. Composting Council for their compostable products. For most effective marketing, GGCU should work to attain certification from as many certifying boards as possible. Depending on the geographic market GGCU chooses, local Chamber of Commerce listings by business area will help GGCU sell its products. Being certified and listed as a green product will substantially increase GGCU’s marketing strategy. Once the business receives listing in the Green Business Bureau, or certification by the Institute for Green Business Certification, the aforementioned organizations provide valuable promotional materials to their associated companies, creating an effective “green business community”.

VI. Importing Regulations

There is a stringent process to export from the European Union to the United States. To aid in GGCU’s success in the U.S., we examined current import/export procedures for the company. Below we have outlined the major themes to ensure ease of import for Go Green Compost Us.

1. Labeling for Health Mark (Cited in Appendix)
a. Health mark labels must be applied to each carton of product in such a manner that the health mark label is destroyed when the package is opened. The health mark label must bear the following information:

i. The oval mark **must be** 2.5 inches (6.5cm) wide by 1.8 inches (4.5cm) high.

   1. Regulation within the oval:
      
      a. In the center - the establishment number.
      
      b. In the upper or lower part - the letters USA.
      
      c. The letters must be at least 0.3 in (0.8 cm) high and the numbers should be at least 0.4 in (1 cm) high.

   ii. A sequential serial number that is unique to each health mark label for that establishment.

2. Port of Entry Regulations (Regulations Cited in Appendix)

   a. Within 15 calendar days of the date that a shipment arrives at a U.S. port of entry, entry documents must be filed at a location specified by the port director. These documents are:

      i. Entry Manifest (CBP Form 7533) or Application and Special Permit for Immediate Delivery (CBP Form 3461) or other form of merchandise release required by the port director,
      
      ii. Evidence of right to make entry,
      
      iii. Commercial invoice or a pro forma invoice when the commercial invoice cannot be produced,
      
      iv. Packing lists, if appropriate,
      
      v. Other documents necessary to determine merchandise admissibility
3. Importation Process

   a. Detailed breakdown is attached in annex however a brief overview of the steps can be found below:

      i. Arrangements must be made through lawyers to secure all necessary paperwork
      ii. Schedule import at a specific port
      iii. Schedule for all duties to be paid
      iv. Arrange for release from the custody of Customs and Border Protection (CBP) at the end of the process

   b. If the goods are to be released from CBP custody at the time of entry, an entry summary for consumption must be filed and estimated duties deposited at the port of entry within **10 working days** of the goods’ entry.”

These regulations referenced in bullet 1 must be on packaging of the goods to be imported. It’s important to note, strict regulations pertain to meat and animal products. Since the product base and topcoat for GGCU are composed of entirely plant-based and vegetation material, the regulations at the federal level are far less strict. However, certain U.S. states, like California, have different regulations restricting the entry of agricultural products and we recommend GGCU fully research this.
VII. Transatlantic Trade and Investment Partnership

The transatlantic economy provides over 5 million jobs as well as generates around $15 million annually. In July 2013, negotiations for the Transatlantic Trade and Investment Partnership, better known as TTIP, began between the United States and Europe. According to a brief distributed by the Congressional Research Service in 2014, the three main goals of these negotiations are the following:

1. Increasing market access through the elimination of barriers
2. Enhance regulatory coherence and cooperation
3. Develop new rules in areas such as foreign direct investment, intellectual property rights, labor, the environment and emerging 21st century areas of trade

Due to constant globalization, motivation for more open, rules-based trade has been promoted through numerous negotiations of varying levels of Free-Trade Agreements recently. TTIP though, would be the largest ever negotiated by the United States and would create a whole new set of precedents and standards in a large variety of sectors. The trade agreement would also act as an economic stimulus, driving growth in both the United States and European markets. Essentially, TTIP would remove the barriers of entry between the United States and Europe. Goods and services would be able to be moved across the Atlantic with little to no hindrances.

A major motivating factor for TTIP negotiations and transatlantic regulatory coherence is to increase transatlantic competitiveness for small to medium sized enterprises (SMEs). SMEs
compose a significant amount of the economy on both sides of the Atlantic and generate more jobs than other parts of the economy. As GGCU qualifies as an SME, they would directly benefit from the TTIP negotiations. Transatlantic regulatory coherence would remove customs duties, simplify customs procedures, reduce the cost of diverging standards and also improve protection of intellectual property rights. The money GGCU would save from this regulatory coherence would also be very beneficial.

Company Implications

April 20-24th 2015 marked the ninth round of TTIP negotiations, which took place in New York, NY. We believe that GGCU should monitor the negotiations closely and take advantage of it, if and when it is implemented. The potential for greatly reduced fees or import duties may pave the way for reduced barriers for growth and the ability to more cheaply import products. Go Green Compost Us will benefit by avoiding the necessity to pass on the higher tariff to their customers if the TTIP negotiations succeed.

VIII. Domestic Tax Incentives

Benefits of increasing marketability come from identification of potential for tax benefits. GGCU faces its greatest barrier in the cost differential between its products and those of its competitors’ products. In order to incentivize such practices, there may be tax incentives available for businesses that adopt sustainable practices. The U.S. Department of Energy already conducts programs for domestic tax rebates and business incentives for energy efficiency. A similar type of program for food and waste products would create an opportunity for GGCU to
save money. While a program like that has yet to appear legislatively, the future looks bright in terms of consumer awareness pushing government in that direction.

IX. Tax Credit, Rebate, or Incentives

The greatest challenge posed to this team is whether any potentially available tax rebates or incentives exist. We contacted law professors who held extensive credentials in tax law and international trade. However none were able to provide any specific information on any possible tax credits for compostable food containers, nor have we been able to find any tax code provisions or tax regulations on this subject.

We contacted the following local professors for the purposes of our research:

1) **Professor Karen Brown, LLM**, George Washington University Law School
   a) Focus: income, corporate, and international taxation law

2) **Professor Charles Gustafson, LLD** Georgetown University Law School
   a) Focus: tax law, legal policy, and international law

3) **Professor Itai Grinberg, JD**, Georgetown University Law School
   a) Focus: cross-border taxation, taxation and development, and U.S. tax policy

X. Future Recommendations

We recommend that GGCU ask future researchers to address the following areas:
1. Create a market survey of what types of products potential vendors want

2. Conduct research in focus groups to survey how the vendors will best respond to product marketing
   
i. Identify areas in the US that have a high volume of sales in the organic food sector, as the market may be more amenable to the products
   
ii. Finish out the business evaluation for US on state levels, rather than solely focusing on federal regulations
   
iii. In depth tax research

3. Having completed the research that we have done, and the recommended follow up, we see Go Green Compost Us as being well set up for success in US markets as the new company BioTrays.
Works Cited

Profiles of Law Professors Consulted:

1. Professor Karen Brown, LLM of George Washington University Law School

2. Professor Charles Gustafson, LLD of Georgetown University School of Law
   a. http://www.law.georgetown.edu/faculty/gustafson-charles-h.cfm#

3. Professor Itai Grinberg, JD of Georgetown University School of Law
   a. http://www.law.georgetown.edu/faculty/grinberg-itai.cfm#

Business Certification:

1. U.S. Composting Council Certification Information

2. Cradle to Cradle Certification Process

3. U.S. Small Business Regulations
   a. https://www.sba.gov/content/food-beverage

4. Green Business Bureau

5. Institute for Green Business Certification

6. US Green Business Certification
Importing Regulations:

1. U.S. Customers and Border Patrol Guide for Commercial Importing

2. U.S. Department of Agriculture Regulations
   a. EU Exporting
   b. International Trade Regulations

3. US Food and Drug Administration
   a. [http://www.fda.gov/food/ingredientspackaginglabeling/default.htm](http://www.fda.gov/food/ingredientspackaginglabeling/default.htm)

Product Certification

1. EU Certification Standards
   a. EN 13432 Requirements

Production

1. World Bank Country Profile

2. The Netherlands Food Production Presence


Transatlantic Trade and Investment Partnership

1. EU Factsheet on TTIP negotiations concerning SMEs

2. TTIP Negotiations Reports

Background Research

1. Example of Green initiatives in the EU

2. Contest “World You Like Challenge” to enact community investment for green future in the EU


4. US Department of Energy information on Tax Credits, Rebates, and Savings

5. Waste reduction plan at popular American company Starbucks
6. Wordle™ website to identify commonly repeated words in a body of text

7. Potential Template for Creating a Media Plan

8. Stouffer’s Different Marketing Strategy

9. Whole Foods Sample Marketing Plan

10. Whole Foods’ use of social media for marketing

11. Whole Foods example of success via marketing