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# *Demand side approach and Green Purchasing Network in Japan*

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Green purchasing is an efficient way of promoting the development of environment conscious products from the demand side. Since the green purchasing network (GPN) was established in 1996 in Japan, the movement toward green purchasing was accelerated by the enactment of a law promoting green purchasing.

## 1. Roles of green purchasing

As a means of supporting the development of environment conscious products, buyers should be encouraged to buy environment conscious products rather than just rely on legal regulations tax incentives. As green purchasing proliferates and environment conscious products sell well, producers will rush to develop and market green products as a matter of course.

Buyers can be classified into the following two categories: individual consumers and organizations such as enterprises and governmental bodies. The latter decide the purchasing policy for special purposes and with special knowledge, and so they can implement green purchasing more easily than the former. Moreover, their demand is larger. Therefore, their decisions have a greater impact on the market. Environment conscious products may be more expensive, but if governmental bodies and enterprises adhere to green purchasing, costs may be reduced thanks to mass production. Then, consumers will be able to buy those products. Governmental bodies are requested to take positive action in line with green purchasing. The purchasing power of governmental bodies is about 20% of the total market size of Japan. So, the market impact should be great.

## 2. Establishment of green purchasing network and its activities

A nationwide organization "green purchasing network" aiming at promoting green purchasing was established in February, 1996 with the participation of major producers (Matsushita Electric, Sony, NEC, Shin-Nihon Seitetsu, Tokyo Gas, etc.), 73 governmental bodies and associations (autonomous bodies, consumer associations, COOP, environment NGO, Ministry of Environment, etc.) and specialists. The green purchasing network is a non-profit seeking body consisting of governmental bodies, producers and NGO. A similar body cannot be found in other countries. Its URL is <http://www.gpn.jp>.

The three major activities of the green purchasing network are (1) proliferation and promotion, (2) creation of green purchasing guidelines and merchandise information provision and (3) investigation and research. Among them, the green purchasing guidelines edited from the standpoint of purchasing for environment protection is the most important accomplishment. Up until now, guidelines on 13 product categories (such as paper sheet, stationary and office goods, copier, PC, car, refrigerator, TV set, air conditioner, school uniform, etc.) and printing service have been established. Moreover, hotel guidelines will be established by the fall of this year.

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The green purchasing network issues a databook showing a comparison of detailed environment information of producers' merchandise, covering about 8000 types of goods of 13 categories. Data is provided on the Internet (in Japanese only). The guidelines are widely used by those companies and autonomous bodies that are pursuing green purchasing and have been influencing the development of products.

With these activities, the green purchasing network has been an engine for promoting green purchasing.

As of April 2002, the number of green purchasing network members was 2,643 breakdown of which there were 2,023 enterprises, 355 governmental bodies and 265 private bodies. The activities have been introduced to foreign countries, resulting in a European green purchasing network and a Korean green purchasing network.

### 3. Enactment of green purchasing law

In May 2000, the green purchasing law was enacted to promote green purchasing as national policy.

Under the law, all governmental bodies must conduct green purchasing. Each body must create and publicize their purchase policy each year and, based on which, they must implement green purchasing, summarize purchasing records and report them. The autonomous bodies of cities, prefectures, towns and villages are responsible for cooperating in green purchasing.

(<http://www.env.go.jp/en/lar/green/index.html>)

Prior to enactment of the law in April 2001, the government adopted the basic policy by cabinet meeting. Of these, the item that affects society is specific purchase commodities. All governmental bodies must implement green purchasing in regard to these specific commodities. Moreover, for these specified products and services, judgment criteria and purchase objectives are decided at the time of purchase.

When the law was enacted last year, 101 items such as paper, stationary, office furniture, electric appliances, OA equipments, illumination, cars, uniforms, interior, public works, etc. were designated as specific purchase commodities. In this year, new items such as construction materials and restaurant services were added to this line and now there are 152 commodities on the list.

In concert with the enactment of the law, all the governmental bodies started green purchasing at the same time. This movement affected supply companies to a higher degree than expected. Producers tried meeting judgment criteria for specific purchase items and utilized it as a marketing strategy. In this way, green purchasing has secured its basis in Japanese society.

### 4. Trends of governmental and autonomous bodies and market size

Governmental and autonomous bodies and enterprises are now implementing these policies. The results of a survey conducted by the green purchasing network in the fall of 2001 on autonomous bodies and major enterprises are described below.

Seventy five percent of companies that replied to the survey are conducting green purchasing. Most autonomous bodies are working on green purchasing enthusiastically. Fourteen percent (14%) of autonomous bodies started green purchasing as instigated by the green purchasing law.

In regard to the types of commodities, about 80% of autonomous bodies are conducting green purchasing of paper and stationary. This percentage has increased drastically compared to the previous

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year for office furniture, illumination equipments, copiers, printer, etc.

In terms of information used for choosing the commodities for reference, "Eco mark" is top (80%) and then Environment labels pasted by third party institutions (46%) and the GPN databook (42%).

The market size of environment conscious products at present based on the statistical data edited by the above survey is about 32 trillion yen. As Japan has a cycle of commodity usage, the market size seems to be continuing to expand.

## 5. Impact on production and sales network

As producers and marketing companies, which are directly affected by green purchasing, are surveyed, the sales volume of environment conscious products have grown drastically over the past one-two years. Seventy-four percent (74%) of those companies that responded said that their sales volumes have grown, among which 17% enjoy increases of more than 50%. More than half of home electric appliances producers answered that their sales volumes increased by more than 30-40%.

In response to market needs, 75% of producers are increasing the number of environment conscious products sold.

As stated above, green purchasing is proliferating steadily and exerts impact on producers and marketing companies. Producers cannot ignore this trend when developing new products.

## 6. Mind and activities of consumers

Although enterprises and governmental bodies have made great progress in green purchasing over the past several years, general consumers are paying more attention to environment problems but are not oriented to green purchasing activities. When looking at investigations into consumer opinion, 70-90% are interested in environment problems but only a handful of them take action in their daily lives.

How can we draw the attention of consumers to green purchasing? Education from childhood is an important element. Moreover, environment conscious products need to be readily available in everyday life. For this purpose, it is necessary to increase the number of stores that handle environment conscious products and provide information regarding which stores sell those products. In this context, the green purchasing network started an information service for consumers, called "Eco-Doco-Navi" ("Where to buy green" navigation site). The green purchasing network is currently working on training of sales staffs who can advise the consumers and training programs for green purchasing and environment conscious products.

## 7. Conclusion

At present in Japan, green purchasing provides a motive to develop environment conscious products. However, although green purchasing is said to be proliferating, according to a survey, only 13% of those polled know the expression "green purchasing" so it has not penetrated to consumers. Moreover, the products subject to green purchasing are limited. There is an enormous number of product segments and green purchasing has not yet been applied to those products. Products and also transportation, hotel, retailing, financial sector, cleaning, maintenance, etc. must be included in green purchasing activities. The green purchasing network will continue to cooperate with the parties concerned and deploy projects to

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promote green purchasing, make the market green and contribute to green products and company activities.

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