

# 13

## Green Marketing

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### 13.1 Introduction

This chapter examines the inclusion of environmental issues in marketing activities. There are a variety of ways that this can be achieved and the degree to which environmental issues are included in marketing activities can vary. As such this chapter briefly discusses many of the most relevant issues and provides some examples of how business organisations from around the world have undertaken these activities. In all successful cases organisations have made meaningful environmental improvements that are then leveraged in marketing related activities.

### 13.2 What do we mean by green marketing?

The definition of green marketing is illusive. At the more general level authors such as Polonsky (2001b) has suggested that Green Marketing – is an attempt to minimise the negative environmental impact of production and consumption. Others such as Menon and Menon (1997) have suggested three levels of greening:

- *Strategic Greening* – requires a fundamental change in corporate philosophy e.g. an organisation redesigning its whole operation to be a closed loop system, with minimal waste;
- *Quasi-Strategic Greening* – requires a substantial change in business practice e.g. hotel chains instituting procedures to reduce water consumption associated with washing linen, where guests are asked to indicate whether they want their towels and linen washed daily; and
- *Tactical Greening* – with shifts in functional activities, such as promotion e.g. an organisation undertaking a promotional activity linking their products to environmental issues, although there is no change in corporate activity overall.

From a marketing perspective, when is an organisation green? Is an organisation that makes one 'environmental' product (alongside other traditional goods) targeted at a very narrow market segment really practising green marketing? The answer depends on the definition used. One would have to say that it is better that this organisation is doing something. However, this organisation might simply be operating opportunistically and not really reducing its environmental impact.

While in an ideal world all organisations would see green marketing as a core component of all activities, this is not the case. Each organisation will need to consider the degree to which it greens its activities. Organisations that make green products will need to consider the degree to which green information is actively communicated to consumers. In some cases organisations may have substantial environmental improvements that are not communicated, simply because the organisation is concerned with consumer scepticism (Peattie, 1999). Organisations also need to consider how greening activities are perceived by consumers and other stakeholders, as in some cases consumers perceive green products to represent inferior value (Levine, 2002). It is also important to consider how greening products will impact price? E.g. it is possible to 'recycle' tyres back to the constituent components (Bureau of International Recycling, 2004), although it may not be economically viable.

Green marketing sometimes is seen as a double edge sword. Promoting oneself as green might result in the organisation being scrutinised more heavily (Levine, 1993; Frost, 1991). Unfortunately in some cases where an organisation has made substantial improvements, it might be judged more harshly when problems arise, than other organisations not making the effort.

From the discussion of Consumer behaviour in Chapter 9, 'green' consumers can be considered in a number of different ways ranging from ecologically responsible (those who evaluate the environmental impact of consumption, but still consume) to simplifiers (those who seek to reduce their mass consumption and minimise their impact on the natural environment). Different groups will view environmental issues differently and thus need to be evaluated separately by the organisation (Connolly et al, 2004).

### 13.3 Green markets

The greening of marketing activities can be applied to a diverse range of markets: consumers, businesses, governments and investors. Each of these markets can be targeted in different ways, as each may have different environmental motivations and goals.

### Consumers

Consumers most frequently consider a product's environmental attributes because of some special interest in the environmental issue. That is, they incorporate environmental criteria as an attribute to be considered alongside other attributes. While there are some consumers for whom green issues drive the discussion process, these may tend to be in the minority, e.g. Ottman (1998) suggests that there are different categories of green consumers behaving differently. One needs to understand where the majority of one's consumers fit and how to market to them.

### Suppliers

With an increasing interest in environmental activities, many organisations are seeking suppliers and consultants that can assist them in improving the eco-efficiency of their activities e.g. green issues can be considered and integrated when designing new products and processes, with eco-design being an important component of overall design (Bhat, 1993, Fuller, 1999).

### Business and government

The inclusion of green marketing for businesses and governments may in some cases be an operational necessity rather than an optional activity. Organisations that have adopted International Standard 14001, often require their suppliers to comply with ISO 14001. While there has been some suggestion that ISO 14000 and other standards could potentially restrict trade (Dohlman, 1990), ISO 14000 accreditation could serve as a value tool in marketing to other businesses and/or governmental bodies seeking specific environmental performance levels. This is not to suggest that organisations that do not have such accreditation do not meet these standards, but rather have chosen not to seek accreditation.

Governmental bodies by mandating supply and demand can create market opportunities. Governmental bodies can regulate their own purchases to ensure that minimum environmental standards are met e.g. they can require all paper products to have some minimum level of recycled content (Jacobson, 1993). Governmental bodies can also require that producers meet specified environmental standards e.g. the state of California at one time had a policy that X% of all cars had to be electric; in turn motivating auto manufactures to respond (Byrne and Polonsky, 2001; Eaton, 1995).

## 13.4 Greening the marketing mix

There are many ways that organisations can operationalise greening and integrate it into overall strategy (Peattie, 1999). In this section we discuss some of the generalised marketing mix activities (Product, Price, Place, and Promotion). These activities can be undertaken with differing levels of

enthusiasm within the organisation: strategic, quasi-strategic or tactical. In addition the greening activities need to be integrated across the marketing mix and other organisational activities (Polonsky, 2001b).

### Green products and product design

The incorporation of environmental attributes into products and processes needs to be undertaken at the initial stages of new product development (Bhat, 1993; Sharfman et al, 1997). In some cases solving environmental problems within the production process has generated a whole industry of new products, technologies and services e.g. catalytic converters were developed to reduce automobile pollutants. They are a product modified to reduce the harmful environmental impacts (i.e. end of pipe solution), not to prevent the emissions from being produced (Butler, 2002). More integrated greening occurs when automobile manufacturers develop more efficient automobiles with new technologies that eliminate harmful emissions and make cars that are easily recycled (Lewis, 2002). There are other more innovative ways to consider greening products where the organisation explores new technologies that shift the way products operate rather than how they are produced (Roy, 1999).

There needs to be an integrated design process to ensure that products are less environmentally harmful. Ashley (1993) suggested that decisions made during this stage contribute 70% of a product's environmental harm.

One approach for designing in environmental considerations is to undertake a life-cycle assessment (Chapter 24) where the organisation considers production, sourcing, use and disposal issues (Oakley, 1993).

The organisation might be able to develop a product that addresses consumers' needs in a new way e.g. some studies suggest that consumers can have their needs met without them owning products, by sharing or renting need satisfying capacity (Belz, 1999). This could include people and businesses purchasing the right to access transportation rather than buying cars (Ho, 2000). Such changes require that customers recognise that needs can be satisfied equally well without their having to own products.

### Green pricing

How should one price green products? A marketing approach would suggest that the price should be consistent with the perceived value, not costs of production (although it needs to cover these costs). In some cases 'green' products have had a premium price resulting from higher production costs, which are passed on to consumers. Higher prices can also represent increased 'value' (real or perceived). On the other hand, environmental products could have lower prices, simply because of efficiencies resulting in reduced production costs (Porter and van der Linde, 1995).

A second issue associated with price is how organisations can get consumers to consider the life-time cost of goods, i.e. purchase price,

maintenance and operating costs, all of which should be integrated into the pricing and purchasing decision. Consumers tend to be less holistic when evaluating products. (See the light bulb example in Section 9.4) It is unclear if consumers can be convinced to consider this approach.

While consumers report that they will pay a premium for less environmentally harmful products, practice and research has found that the real premium paid is small –5% to 10% (Kapelianis and Strachan, 1996). When marketing green products it is therefore, essential that the environmental value is important to consumers and this increased value is communicated to consumers.

### **Greening of place and logistics**

Greening of place can be examined as the movement of goods from suppliers to the organisation (traditionally logistics) and the movement of goods from the organisation to consumers. Consumers tend not to be concerned with how products arrive at retailers, but rather that the products are readily available at a reasonable price. Changes to shipping, packaging and physical transportation are activities which often do not impact on consumers' evaluations, but may have substantial environmental impacts.

Reduced packaging materials can lower material costs and distribution costs (i.e. lighter products or less breakage) e.g. shipping pallets are a valuable commodity, which organisations can lease rather than sell (Gooley, 1996), with reduced wood usage, and lower costs for organisations renting rather than purchasing (Auguston, 1996). Such activities have shown that organisations see used shipping materials as valuable (Glenn, 1996).

Increased use of the Internet might reduce the need for multiple distribution centres and the need for retail outlets, with an environmental benefit, although this would have to be balanced against increases in other transportation activities (Schegelmilch et al, 1995; Wu and Dunn, 1995). The Internet could also reduce intermediaries with integrated systems reducing the length of distribution networks (Campbell and Green, 1999).

Reprocessing waste and used materials is another important environmental marketing activity, where organisations recognise that 'used' materials have value that can be 'harvested' (Tibben-Lembke, 1998). In some cases the increased interest in reverse channels is motivated by regulatory pressure, although market forces also impact its implementation (Micklitz, 1992). Although reverse logistics and reprocessing have a range of costs including the reprocessing and 'checking' of goods to meet performance standards (Ayres et al, 1997; Giuntini and Andel, 1995).

### **Greening promotion**

Marketing promotion involves a range of tools: advertising, sales promotions, personal selling and publicity (Kotler, 2003). Greening of

promotion is primarily concerned with communicating the environmental benefits of an organisation and its products, with consumers and stakeholders. There must of course be something worthwhile to communicate about. In addition consumers need to be able to understand this information, relate it to the product and also be concerned with this issue. What environmental information should be communicated and how should it be communicated (Shrum et al, 1995) is not an easy question.

Organisations that make false environmental claims will receive negative feedback from consumers and stakeholders who will be quick to 'punish' organisations that mislead them (Newell et al, 1998). In the early days of green marketing this 'puffery' was one of the main reasons for consumer scepticism, which hurt those making meaningless claims as well as those communicating substantial environmental improvements (Carlson et al, 1996; Mohr et al, 1998).

Globally public policy makers have introduced regulations that seek to ensure green promotions are not misleading (Kangun and Polonsky, 1995). Consumers' inability to truly evaluate the environmental attributes of products makes such regulation necessary (Newell et al, 1998) e.g. how can a consumer determine if a product's packaging is 100% post consumer waste? In some cases governments, private businesses and not for profit organisations have sought to set up 'standards' to demonstrate they are acting responsibly, but there is a plethora of such programs (Eco-labels, 2004) and it will be difficult for consumers to understand them all.

A range of different promotional approaches can be applied e.g.

- making environmental claims about the product/production process or organisation claims;
- having goods endorsed or certified by third party organisations;
- undertaking sponsorships of environmental activities; and
- participating in joint promotions with environmental organisations.

All promotional communication needs to be related to an organisation's activities and the environmental issue being described. Programs where there are no real links may be seen to be exploitative and will not be effective in communicating positive messages with consumers.

### 13.5 Other green strategies

The previous section focused on the greening of traditional marketing tools. There are some broader marketing strategies that can be used, which integrate these tools across organisational activities and may shape overall organisational strategy.

### Targeting

While there are substantial numbers of environmentally concerned consumers out there, organisations would generally be ill advised at times to develop products solely targeting green consumers and in fact the number of 'green' consumers seems to change over time (Ottman, 1998). Even the 'deep green' consumers will expect 'green' goods to be competitively priced, as well as perform to a satisfactory level. What this means for organisations targeting green consumers is that a product's level of greenness is often used to differentiate two relatively equal goods, with environmental performance becoming a key point of differentiation.

When targeting a segment of consumers, green or otherwise, the segment needs to have the following characteristics: they are measurable in size; they can be contacted through various marketing tools; they are large enough to be profitable (which will vary based on the goods); and they can and will respond to the marketing offering (Kotler, 2003). Green targeted goods can achieve these objectives and with new tools such as the Internet, it may in fact be possible to more easily access markets. In addition environmentally oriented consumers may in fact actively seek out products and organisations that emphasise environmental attributes or benefits (Peattie, 2001). The use of the Internet may therefore allow organisations to access a wider spectrum of green customers.

### Green positioning

The role of environmental issues in terms of the organisation's image is something that needs to be considered early in an organisation's development (Crain, 2000). To what extent is 'green' part of the organisations positioning? Is the organisation one that produces quality goods and services that at the same time minimises environmental harm, or is the organisation environmentally focused but also produces *want satisfying* goods and services? The positioning issue needs to consider how consumers perceive the organisation and thus impacts on purchase behaviour as well as attitudes towards the organisation.

Organisations like the Body Shop position themselves on their environmental attributes (Dennis and Neck, 1998). Whereas organisations such as Toyota and Xerox position themselves on quality products, while still emphasising environmental characteristics to varying degrees (Polonsky, 2001b). Other organisations that have a strong internal environmental emphasis may not leverage their behaviour at all. In this way the question is not just to what extent are environmental values integrated into the organisation, but it to what extent are these values part of the organisation's broader 'image' (Menon and Menon, 1997).

Organisations that choose to have an environmental positioning strategy **must** ensure that they perform in accordance with these expectations and needs to be sure that **all** activities support this image. Deviations from

stated organisational values would most likely generate negative publicity, even if it were not within the organisation's control (Peattie, 1999). This might explain why some organisations, which are environmentally focused choose to not use this for positioning purposes. For example, S. C. Johnson has as one of its core-values a concern for the natural environment and has won environmental awards from the United Nations and the US EPA (S. C. Johnson, 2004), yet they do not solely position their products as being 'green'.

### Marketing waste

In the discussion of place we introduced the idea of reprocessing packaging and products that are no longer needed by organisations and consumers. The marketing of waste is a slightly different activity as it focuses on identifying uses and markets for materials that traditionally are considered to have no value and possibly even be considered to be a cost of operation. Organisations might want to think of waste as a product of organisational activities and, like all products waste has some value (Reynnells, 1999).

The marketing of waste usually starts with organisations seeking to reduce waste, or reprocess waste for internal consumption (Ottman, 1993). They might then move to looking at alternative uses for 'waste' e.g. wineries might pay to have their post-production waste collected, processed and bought back as fertilizer (Tom, 1999). New industries might even be developed to process and market these waste-based goods.

### Green alliances

Green organisational partners can assist in developing less environmentally harmful products by identifying new approaches, products and processes that will enable the organisation to better address various environmental issues, by adopting a more responsible philosophy (Crane, 1998; Hartman et al, 1999; Lober, 1997, Mendleson and Polonsky, 1995, Polonsky and Ottman, 1998). Part of the marketing value of these alliances is that the credibility of green partners is 'transferred' to the organisation, although the alliance partners also assist the organisation in improving its environmental activities.

To be environmentally effective organisations need to be able to open themselves up to new ideas and new ways of thinking, which is sometimes difficult. There might also be some difficulties in collaborating with green groups when they have different objectives (Hartman et al, 1999) and a green group's credibility is lost if it simply toes the corporate line. Developing partnerships can also be a time-consuming activity as environmental groups want to ensure that the partner's actions are consistent with the green group's image. Thus green groups might only become involved in activities where they see there is an opportunity to make a substantial impact (Mendleson and Polonsky, 1995).



Table 13.1 Green marketing activities across levels

Activity	Tactical Greening	Quasi-strategic Greening	Strategic Greening
Green products and design	An organisation changes material supplier to one with more eco-friendly processes.	Life-cycle analysis to minimise ecoharm is a regular part of the process.	Fuji•Xerox develops Green Wrap paper to be more eco-friendly from the ground up.
Green pricing	Cost savings due to existing energy-efficiency features are highlighted for a product	Hunter Water changes its pricing policy from a flat monthly rate to a per-unit-of-water-used basis	A company changes its business approach and rents (instead of selling) washing machines to customers, who now pay each time they use the washing machine as opposed to owning
Greening place and logistics	An organisation changes to a more concentrated detergent, reducing package size and weight, lowering shipping costs.	Packaging minimisation is incorporated as part of an organisation's manufacturing review process	A reverse logistics system is put in place by Fuji•Xerox to reprocess and remanufacture photocopiers.
Green promotion	An oil company runs a PR campaign to highlight 'green' practices of the organisation to counter an oil spill receiving negative press coverage.	A company sets a policy that product eco-benefits should always be mentioned in promotional materials	As part of its company philosophy, the Body Shop co-promotes social/eco campaigns each year with in-shop and promotional materials
Green targeting	Ads mentioning green features are run in green or environmentally-focused media.	An organisation develops a green brand	An organisation launches a new strategic business unit aimed at the/a green market
Green positioning	A mining company runs a PR campaign to highlight existing 'green' aspects and practices of the organisation.	BP-Amoco redesigns its corporate logo, changing to a sun-based emblem to reflect its view of a hydrogen/solar-based future for the energy industry	The Body Shop not only states that it dedicates its business (and products) to environmental and social change, it proactively engages in related activities and encourages its customers to as well.

Table 13.1 Green marketing activities across levels – *continued*

Activity	Tactical Greening	Quasi-strategic Greening	Strategic Greening
Marketing waste	An organisation improves the efficiency of its manufacturing process, which lowers its waste output	Telstra (an Australian phone company) has internal processes so that old telephone directories (waste) are collected and turned into cat litter products by other companies	A Queensland sugarcane facility is rebuilt to be cogeneration based, using sugarcane waste to power the operation
Green alliances	A company funds a competition (one-off basis) run by an environmental group to heighten community awareness on storm water-quality issues	Southcorp (a leading Australian wine producer) forms a long-term alliance with the Australian Conservation Foundation to help combat land-salinity issues	A company invites a representative of an environmental group to join its board of directors

Source: Based upon Polonsky and Rosenberger III (2001a).

### 13.6 Green marketing in the planning process

The planning process is based on the premise that the organisation understands where it is today and where it wants to go. To be effective these plans need to be appropriately implemented to ensure that what is planned actually happens. Control systems also need to be implemented to evaluate outcomes and modify activities as needed (Kotler, 2003). Green marketing is part of this larger process. The organisation needs to carefully consider why it is greening activities, which will direct strategy in terms of what activities are undertaken (Peattie, 1999).

To be used effectively green marketing requires an integrated approach involving extensive coordination across functional areas within the organisation (Peattie, 1999; Fuller, 1999). This includes functions which 'produce' the organisation's products, those traditionally marketed and those traditionally considered not to have value (i.e. waste), as well as strategic units within the organisation that shape its direction and thus determine whether greening issues are to be strategic, quasi-strategic, or tactical in nature (Polonsky, 2001b). In addition there needs to be input from other functional areas such as marketing, which are frequently not actively

involved in environmental strategic decision making. Environmental issues are not simply the domain of an environmental management unit, but become a focus or at least are considered by all functional areas. In strategic marketing planning it is essential that an organisation considers what it wants to achieve with its green marketing actions, both across activities and levels of greening (See Table 13.1).

### 13.7 Summary and implications for business organisations

It is essential that organisations ensure that *all* green marketing activities are integrated across functional areas, especially if they are used for positioning or promotional activities (Fuller 1999). Organisations should not over emphasise their actions, as organisational exaggerations may have unanticipated negative consequences (Newell et al, 1998). On the other hand, it may not be necessary for organisations to promote all green marketing activities. While from a strategic perspective this may seem to be ignoring opportunities, careful evaluation of overall organisational activities might identify that such opportunities are illusionary, i.e. not all activities support the same environmental focus.

The complex nature of the environmental issues associated with green marketing requires that organisations progress only after they carefully consider all potential ramifications. Table 13.2 lists some 'Do's and Don'ts' of green marketing (Polonsky, 2001b), to assist organisations' green marketing

**Table 13.2** Some do's and don'ts of green marketing

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#### DO

- Use strategic green marketing as an opportunity to consider innovative ways of satisfying customers' needs.
- Identify both the short-term and long-term implications of adopting specific green marketing activities.
- At whatever level, strategic, quasi-strategic or tactical understand what is necessary to develop integrated green marketing activities.
- Expect strategic green marketing to be a long-term, ongoing process.

#### DON'T

- Don't think that all types of green marketing, especially tactical, will generate extensive competitive advantages, at least not in the short term.
  - Don't allow marketing hype to over emphasise the true impact of your green marketing activities.
  - Don't think that once you make changes the organisation can relax, as green marketing requires continual improvements.
  - Don't try to push green initiatives in your organisation simply on emotional grounds, rather communicate in the language of business, as in the long-term both environmental and business benefits can be obtained.
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Source: Polonsky (2001b).

activities. Of course green marketing is only one part of an organisation's activities and needs to fit within its overall planning process and overall environmental activities.

Green marketing activities need to be considered in the overall planning process evolving as the organisation evolves. A green marketing strategy is designed to assist the organisation in achieving a current set of objectives. As these objectives change the green marketing activities need to change. There is also a changing state of environmental knowledge, which will impact on product, production and consumption activities. Organisations need to be sure that they monitor where these changes are likely to occur to allow them to adopt more quickly and take advantage of opportunities, while still improving environmental performance.

#### Case study: Kyocera printers

To position or not as a green product is a key issue for organisations. The decision is largely dependent on the organisation's overall activities, not just on activities in one area, while at the same time considering consumers views on the importance of product characteristics, including environmental characteristics. Kyocera Ecosys' laser printer (Cottam, 1994) when first introduced in Australia, was heavily promoted as a *green* laser printer with important product environmental features: the name; using less energy; having a standby mode; having re-fillable toner cartridges; and being endorsed by a prominent Australian environmental group. The promotion also identified the savings in average operating costs to the purchaser, although this was not the emphasis of the promotion. In this case the environmental benefits were the primary emphasis and the reduced financial costs were a secondary selling point.

It was however realised that most of the business purchasers were more interested in the financial benefits and thought that the environmental benefits were a secondary feature. The organisation ultimately shifted the promotion emphasis to product quality and lower operating costs than competitors. The fact that it was less environmentally harmful than competitors was mentioned but not as the primary *value* of the product. In this way the organisation sought to broaden its appeal from simply targeting green consumers and organisations to targeting all types of consumers. As such they positioned the product as being *main stream* and moved away from targeting a narrow green segment.

### 13.8 Questions

- Discuss the reasons that an environmentally oriented organisation might choose to not use this orientation to market its products or position the organisation?
- How green is enough to allow the organisation to market its products as environmental?
- How can the organisation make environmental attributes, either of the product or the organisation itself, meaningful to consumers?