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WHAT DO BUSINESS NEED TO KNOW BEFORE ENGAGING IN GREEN MARKETING STRATEGY

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Abstract

Business has been viewed as a major cause of economic, social and environmental problems. Companies around the world are perceived to be responsible for supporting the broader community. Engaging in environmentally responsible practices has been using as a key component of a company's marketing strategy to respond to its stakeholders' expectations and concerns; and to improve corporate reputation that expected to show the result on financial performance. Going green may incur additional costs for businesses which in turn affect the competitiveness of the companies. It can be challenging to be green, while remain competitive. Companies may question whether targeting green consumers is worth. This article aims to layout an essential guideline for businesses to consider before engaging into green marketing strategy. Once companies carefully identify the greens market segments, sales of green products and services could explode.

Keywords: Green marketing strategy, green consumer, environmentally responsible practices

บทคัดย่อ

ในอดีตที่ผ่านมาธุรกิจถูกมองว่าเป็นผู้ที่ทำให้เกิดปัญหาเศรษฐกิจ สังคม และสิ่งแวดล้อม บริษัททั่วโลกต่างมองเห็นความสำคัญที่จะต้องดำเนินกิจการอย่างมีความรับผิดชอบต่อสังคมและสิ่งแวดล้อม หลายบริษัทดำเนินกลยุทธ์ทางการตลาดที่ผนวกรวมความรับผิดชอบต่อสังคมและสิ่งแวดล้อมเพื่อสนองตอบความคาดหวังของผู้มีส่วนได้เสียต่างๆ เพื่อเสริมสร้างชื่อเสียงขององค์กรโดยมีความมุ่งหวังว่าการดำเนินการดังกล่าวจะส่งผลให้ธุรกิจมีผลการดำเนินงานด้านการเงินที่ดีขึ้น ในการที่ธุรกิจมีการดำเนินกิจการอย่างมีความรับผิดชอบต่อสังคมและสิ่งแวดล้อมอาจทำให้ธุรกิจมีต้นทุนที่สูงขึ้นซึ่งอาจส่งผลต่อความสามารถทางการแข่งขันของกิจการ การรักษาทั้งสองอย่างไว้ควบคู่กับเป็นเรื่องที่ท้าทาย บริษัทอาจมีคำถามว่าการมุ่งทำการตลาดไปที่ผู้บริโภคที่มีความใส่ใจต่อสิ่งแวดล้อมคุ้มค่ากับการปรับรูปแบบการดำเนินงานของกิจการหรือไม่ บทความนี้จึงมีวัตถุประสงค์เพื่อเสนอแนวทางที่ธุรกิจจำเป็นต้องพิจารณาก่อนที่จะมีส่วนร่วมในกลยุทธ์การตลาดสีเขียวนี้ และเมื่อบริษัทได้ระบุกลุ่มผู้บริโภคที่มีความใส่ใจต่อสิ่งแวดล้อมอย่างรอบคอบแล้ว ยอดขายของผลิตภัณฑ์และบริการสีเขียวก็จะเติบโตอย่างก้าวกระโดด

คำสำคัญ: กลยุทธ์การตลาดสีเขียว ผู้บริโภคที่มีความใส่ใจต่อสิ่งแวดล้อม การดำเนินงานที่รับผิดชอบต่อสิ่งแวดล้อม

Introduction

Stated in Yazdanifard and Mercy (2011) that 'green marketing' was first introduced in 1980 after the first workshop on ecological marketing held by the American Marketing Association (AMA) in 1975. AMA defined green marketing as the marketing of products that are presumed to be environmentally safe, it incorporates several activities such as product modification, changes to production processes, packaging, advertising strategies and also increases awareness on compliance marketing among different industries.

In recent year, environmental issues have been in a spotlight across local and global business community (Jamali and Mirshak, 2007, Swaen and C. Ruben, 2008, and Arendt and Brettel, 2010), and business has been increasingly viewed as a major cause of the problems (Martin and Kemper, 2012, and Porter and Kramer, 2011). Regardless of size and location, it is important for business to focus beyond the traditional business requirements in order to build and protect its long-term business values (United Nations, 2016), and sustainable competitive advantage (Bhattacharya and Sen, 2004, Porter and Kramer, 2006, Unruh and Ettensen, 2010). Engaging in environmentally responsible practices has become a key component of a company's marketing strategy basically to respond to its stakeholders' expectations and concerns (Unruh and Ettensen, 2010); to develop positive effects on key stakeholders (Bhattacharya and Sen, 2004); and to improve corporate reputation (Eisingerich and Bhardwaj, 2011, Ginsberg and Bloom, 2004, Minor and Morgan, 2011, and Porter and Kramer, 2006).

Many empirical studies typically suggest that consumers favor green product (Tang, Fryxell, and Chow, 2004), for example a 2007 Mckinsey survey of 7,751 people in Brazil, Canada, China, France, Germany, India, the United Kingdom, and the United States cited by Bonini and Oppenheim (2008) shows that 87 percent of consumers worry about the environmental impact of the products they buy. But no more than 33 percent say they are ready to buy green products. However, when it comes to actual buying decision, the environment almost never wins over product benefit and contribution (Bonini and Oppenheim, 2008, and Kim and Choi, 2005). Most consumers simply do not willing to trade off their needs or desires of product attributions for just to be green (Bonini and Oppenheim, 2008, Ginsberg and Bloom, 2004, and Tang, Fryxell, and Chow, 2004). Therefore, this article aims to layout an essential guideline for businesses to consider before engaging into green marketing strategy.

Defining the competitive landscape

Clearly, companies of all types, from manufacturing sector like automobiles, construction materials and cosmetics to service sector like banking, insurance and tourism; both multinational corporations like Toyota, Procter and Gamble, Coca-Cola, the Marriott and Starbucks, and also Thai corporations like Siam Cement Group, PTT and Siam Commercial Bank have responded to consumers' growing concern of environmental issues by offering green products and services to their market (Bonini and Oppenheim, 2008, and Lewandowska, Witczak and Kuczewski, 2017). Green marketing normally targets two basic outcomes that are to minimize cost of dealing with pollution and to improve resource productivity using in production process (Ginsberg and Bloom, 2004, and Porter and Van der Linde, 1995).

There is still little doubt that companies will continue to take steps toward becoming better corporate citizens. The fact that a company implements green procedures internally, however, does not mean that it should stress such changes externally. If being green does not drive increased sales and market share or enhance corporate reputation (Bonini and Oppenheim, 2008, Ginsberg and Bloom, 2004, and Porter and Kramer, 2006), then boasting about green activity may not be necessary (Ginsberg and Bloom, 2004). Such complexities make it difficult for manager to choose to implement a profitable green marketing strategy.

Defining your Green Consumer

There is a growing number of consumers willing to use green products and services to reduce the impact on environment (Costa Pinto et al., 2016, and Schmuck, Matthes and Naderer, 2018). They pay a premium price for organic food because they believe that it is healthier, tastier and safer, and there are some consumers willing to pay an up-front premium cost for energy-efficient cars and water conserving washing machines because they realize that they will actually save their money in the long-term (Ginsberg and Bloom, 2004). However, buying green product may not appeal to every consumer. There are only substantial numbers of consumers who are potentially receptive to be green. A clear understanding of the target consumer will help marketers to know whether to be green is a necessary selling attribute and how it should be integrated into the marketing mix (Ginsberg and Bloom, 2004, and Rex and Baumann, 2007). Many of the surveys aimed to explain the demographic qualities of the green consumer (Rex and Baumann, 2007, and Straughan and Roberts, 1999); however, there are two major studies try to identify the different degrees of green consumers .

Roper Starch Worldwide is a very first marketing research firm investigating the consumer’s orientation to sustainability in North America (Dahlstrom, 2011). According to its 2002 survey 58% of U.S. consumers try to save electricity at home, 46% recycle newspaper, 45% return bottles or cans and 23% buy products made form, or packaged in, recycled materials (Ginsberg and Bloom, 2004). Therefore, as suggested in Dahlstrom (2011) and Ginsberg and Bloom (2004) marketers may segment the market into five different shades of green consumers according to their psychographics as the followings.

1. True Blue Greens: True blues are those consumers with strong environmental values that seek to bring about positive change. Individuals that identify with this segment are also inclined to be politically active in their pursuit of sustainability. They are over four times more likely to avoid products made by companies that are not environmentally conscious.

2. Greenback Greens: The greenback greens are also interested in sustainability concerns, but they are not inclined to be politically active. Importantly, these consumers are more willing to purchase environmentally friendly products than average consumers.

3. Sprouts: Sprouts believe in environmental causes in theory but they do not take this appreciation with them to the marketplace. Sprouts will rarely buy green product if it means spending more, but they are capable of going either way and can persuaded to buy green if appealed to appropriately.

4. Grousers: Grousers tend to be uneducated about environmental issues and cynical about their ability to effect change. They believe that green products are too expensive and do not perform as effectively as their non-green competitors.

5. Basic Brown: Basic Browns are caught up with day-to-day concerns and do not care about sustainability or green marketing practices.

While the study of Roper Starch Worldwide addresses the impact of consumers' attitudes on their actions, the market analysis provided by the Natural Marketing Institute (NMI) incorporates attitudes and behaviors toward environmentalism and consumption. Their research identifies fives following market segments (Dahlstrom, 2011).

1. The LOHAS consumer: LOHAS refers to lifestyles of health and sustainability. These consumers are focused on health, the environment, social justice, personal development, and sustainable living, and the future of society. This group is not limited to the United States; LOHAS is gaining interest in Japan, Southeast Asia, and Europe. Seventy-three percent of this group buys recycled-paper goods, and 71% buy natural or organic personal care products. Their preferences reflect many of the most popular consumer brands. A 2006 LOHAS analysis indicated that these consumers felt that Microsoft, Kellogg's, McDonalds', Disney, Coca-Cola, Starbucks, and PepsiCo ranked highest in their sustainability and environmental efforts. These consumers recognize the green marketing efforts of some of the largest consumer brands.

2. Naturalites: This group refers to consumers primarily concerned about personal health and wellness. Their preference for food and beverage products is motivated primarily by a strong health focus, not an environmental focus.

3. Conventionals: This group is the largest segment in the NMI analysis. Because these consumers are practical and enjoy seeing the results of their action, they are likely to recycle and conserve energy. The recognize the value of buying products that save money in the long run, but the ecological merits of consumption are not the most important consideration in their decision making.

4. Drifters: The drifter category refers to consumers that do not highly concern about the environmental issues and believe that the problems will eventually be resolved. They focus on circumstances that have direct effects on their wellbeing. Because they view sustainability as a trend, they want to be seen in places viewed as environmentally conscious even though they do not make substantial purchases of green products. They are somewhat price sensitive and propose many reasons why they do not make environmentally friendly choices.

5. Unconcerned: The final group in the NMI analysis is a group that has other priorities beside environmental and social issues. They are not aware of green product choices and are generally unwilling to find out such information. These consumers make a decision to buy based on convenience, price, quality, and value with little regard for the actions of companies.

Choosing your Green Strategy

There are two sets of important questions regarding a green marketing strategy should be answered. First, how substantial is the green consumers segment for the company? Can the company increase revenues by improving on perceived greenness? Would the business suffer a financial problem if consumers judged the company to be inadequately green? Or are there plenty of consumers who are indifferent to the issue that the company can serve profitable?

Second, can the brand or company be differentiated on the green dimension? Does the company have the resources, an understanding of what it means to be green in its industry and the internal commitment at the highest management levels to be green? Can competitors be beaten on this dimension, or are some so entrenched in the green space that competing with them on environmental issues would be very expensive and frustrating?

Depending on how these questions are answered, companies should consider one of these four strategies (Figure 1):

1. Lean Green. Lean greens try to be good corporate citizens, but they do not focus on publicizing or marketing their green initiatives. Instead, they are interested in reducing costs and improving efficiencies through pro-environmental activities, thereby creating a lower-cost competitive advantage, not a green one. They are usually seeking long-term preemptive solutions and want to comply with regulations, but they do not see substantial money to be made from the green market segments. Lean Greens are often hesitant to promote their green activities. Coco-Cola can be characterized as a Lean Green company. Most consumers do not know that the company has invested heavily in various recycling activities and package modifications, like the launch of Namtip new crushable bottle in 2012. Although Coca-Cola is concerned about the environment, in most cases it has chosen not to market its efforts.

2. Defensive Green. Defensive Greens usually use green marketing as a precautionary measure, a response to a crisis or a response to a competitor's actions. They seek to enhance brand image and mitigate damage, recognizing that the green market segment is important and profitable that they cannot afford to alienate. Their environmental initiatives may be sincere and sustained, but their efforts to promote and publicized those initiatives are sporadic and temporary. Defensive Greens will pursue actions such as sponsoring smaller environmentally friendly events and programs.

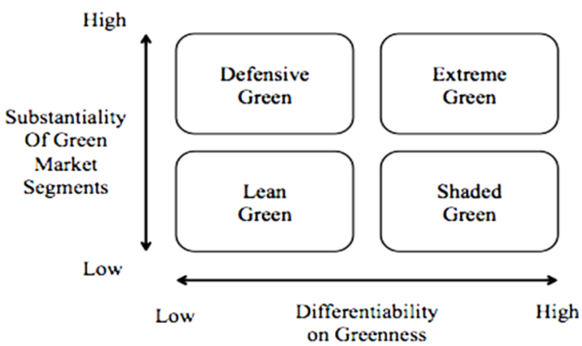

Figure 1: The Green Marketing Strategy Matrix
Source: Ginsberg and Bloom (2004, p.81)

3. Shaded Green. Shaded Greens invest in long-term, system wide, environmentally friendly processes that require a substantial financial and nonfinancial commitment. These companies see being green as an opportunity to develop innovative need-satisfying products and technologies that result in competitive advantage. They have the capability to truly differentiate themselves on greenness, but they choose not to do so because they can make more money by stressing other attributes. Shaded Greens primarily promote the direct, tangible benefits provided to the customer and sell their products through mainstream channels. Environmental benefits are promoted as a secondary factor. The Toyota Prius is advertised today as an environmentally advanced, fuel-efficient hybrid. However, when the Prius was first launched, Toyota Motor Corp. did not play up its environmental attributes. The car caught the attention of consumers because of its unique and contemporary style and its innovative dashboard displays the various energy-efficient functions of the car (Ginsberg and Bloom, 2004, Bonini and Oppenheim, 2008, and Unruh and Ettenson, 2010). The emphasis was instead on fuel efficiency. The fact that the Prius reduced air pollution was merely mentioned (Ginsberg and Bloom, 2004).

4. Extreme Green. Extremely Green companies fully integrate environmental issues into the business and product life-cycle process. Extreme Greens often serve niche markets (Bonini and Oppenheim, 2008, and Ginsberg and Bloom, 2004) and sell their products or services through boutique stores or specialty channels. Example of Extreme Greens includes The Body Shop and Starbucks. Social responsibility is in its identity and purpose, from manufacturing to marketing.

Conclusion

To understand where a brand or a company really stands on the two dimensions of green marketing growth and the ability to differentiate on the basis of greenness requires careful market research (Unruh and Ettenson, 2010). As a good starting point for trying to understand the size of the green market segment, managers should gather data from customer records or surveys to determine whether a significant portion of a brand's current customers fall within the True Blue Green, Greenback Greens or Sprout segments. If the brand is not currently appealing very much to those segments, the company would probably not be able to capitalize on becoming greener.

However, if it is discovered that consumers in these segments are very responsive to changes in greenness, the market size would be high and defensive or extreme green strategies would be appropriate. Choosing between a defensive or extreme green strategy in this situation should be guided by what is learned in additional research on competitors and company capabilities. It should also be guided by consumer research on the non-green segments – companies want to make sure that they will not suffer costly abandonment of a brand if it is perceived as "too green" by customer segments that are indifferent to normal green product attributes.

Managers should encourage the increased participation of all employees to generate ideas and increase enthusiasm. It is important to realize that most customers and employees get satisfaction from being part of an organization that is committed to operating in a socially responsible manner (Bhattacharya and Sen, 2004, and Perez, 2009).

In April 2018, Rujivanarom (2018) reported that on the 48th Earth Day Celebration 2018, the United Nations Environment Program announced that each year more than five trillion plastic bags are used worldwide. Among those worst plastic waste polluted countries, Thailand was ranked at the sixth largest marine plastic waste producer.

It is important to educate consumers (Bonini and Oppenheim, 2008, and Ginsberg and Bloom, 2004), and encourage them to take an active role in their consumption (Rujivanarom, 2018). Because most consumers are unaware of and confused about green product (Shrum, McCarty and Lowrey, 1995), a company must see itself as an educator. The lack of knowledge mean that companies must explain not only their own products but also the related environment and social causes (Bonini and Oppenheim, 2008). According to the Roper Starch Worldwide 2002 survey, labels and displays can play an important role in making an environmental statement about a brand. Explaining how or why a product is environmentally sound also make a big difference. Product packaging or in-store displays can be a major source of information about environmental action. Point-of-sale demonstrations and knowledgeable salesperson might be a good way to educate consumers. Giving free samples might be a good way to ease customers' initial reluctant to try a new product.

Another key element of green marketing strategy is credibility. Having a good reputation to begin with can go a long way in helping to ease customer skepticism. Companies with socially responsible corporate values will appear more credible to target audiences. Customers are still worried about the "green-washing" – false or misleading environmental claims (Ginsberg and Bloom, 2004). Consumers are always skeptical and looking for the real reasons why business cares about environmental problems (Chaimankong et al., 2018; Vlachos, et. al., 2009). To build public trust, companies must be honest about the true environmental impact of their products and their attempts to compromise with it. Being honest will be the only way to make consumers trust in companies' green claims (Ginsberg and Bloom, 2004, Bonini and Oppenheim, 2008, and Lewandowska et al., 2017).

Finally, because consumers buy products and services primarily to fulfill individual needs and wants, companies should continue to highlight the direct benefits of their products. They should continue to tout the traditional product attributes of price, quality, convenience and availability and make only a secondary appeal to consumers on the basis of environmental attributes (Ginsberg and Bloom, 2004). Companies with successful green products ensure that they are available and easy to find in the convenient marketplace; and that consumers understand the financial and environmental returns on their purchase on green products (Bonini and Oppenheim, 2008).

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