



Green marketing

Key points

- **General guidelines are needed to regulate misleading claims.**
- **Green marketing benefits businesses, consumers and society.**

Green marketing explained

Marketing is both a discipline and a set of practices to appeal to consumers and entails the operations organized around a product or service, from concept to sales and through the design, price setting, promotion and availability.

The term “green marketing” first surfaced in the late 1980s as an extension of what the American Marketing Association referred to in 1975 as “ecological marketing”.¹ There is no single definition accepted universally, but in 1994 Polonsky stated: “Green or environmental marketing consists of all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such that the satisfaction of these needs and wants occurs, with minimal detrimental impact on the natural environment.”²

The United Nations Environment Programme defines it as “a marketing which encompasses all communication operations undertaken to promote a product on the basis of its environmental properties or of its social qualities. It is about selling products on an ethical platform.”³ The distinctive features of green marketing are its commercial dimension coupled with the reference to the values of consumers who want to act in an environmentally conscious and socially responsible manner with the purchases they make.

Why companies are using green marketing

According to Polonsky's research on green marketing,⁴ there are several reasons for companies to increase their exploitation of green marketing:

1. Company management perceives environmental marketing to be an opportunity that can be used to achieve their objectives.
2. Company management believes they have a moral obligation to be more socially responsible.
3. Governments are forcing companies to be more responsible.
4. Competitors' environmental activities pressure companies to change their environmental marketing activities.
5. Cost factors associated with waste disposal or reductions in material use forces companies to modify their behaviour.

¹ Sumy State University, *The International Student Conference: Economics for Ecology* (Sumy, Department of Economics of Sumy State University, 2007). Available from http://iscs.fem.sumdu.edu.ua/data/ISCS_Materials_2007.pdf (accessed 14 February 2012).

² Michael Jay Polonsky, “An introduction to green marketing”, *Electronic Green Journal* (1994), vol. 1, No. 2. Available from <http://ogma.newcastle.edu.au:8080/vital/access/manager/Repository/uon:3104> (accessed 26 January 2012).

³ United Nations Environment Programme, *Sustainability Communications: A Toolkit for Marketing and Advertising Courses* (Nairobi, 2005). Available from www.unep.fr/shared/publications/pdf/DTIx0886xPA-EducationKitEN.pdf (accessed 26 January 2012).

⁴ Michael Jay Polonsky, “An introduction to green marketing”, *Electronic Green Journal* (1994), vol. 1, No. 2. Available from <http://ogma.newcastle.edu.au:8080/vital/access/manager/Repository/uon:3104> (accessed 26 January 2012).

Marketing is a tool for the private sector

The private sector communicates in many ways to present and potential consumers. In this context, marketing is rooted very firmly in the fundamental logic of a company situated in a market economy. Polonsky's research implies that private companies are using green marketing as a means to gain competitive advantage over companies that do not offer an environment-friendly alternative product yet. The biggest green marketing advertising investments are in sectors that represent a large portion of the individual ecological footprint, such as food and transport.⁵

However, green marketing should not be confused with public service campaigns aimed at getting people to change habits and adapt a more environment-friendly lifestyle. In contrast, green marketing is about getting people to buy and to consume products that are "thought to be" better for the environment. From the consumer protection perspective, green marketing should focus on information disclosure and establishing transparency of business and production procedures.

Green consumerism (sustainable consumerism) is emerging

Green products are often some of the most expensive on the shelf. They can cost between 16 and 100 per cent more than conventional products.⁶ Green products are typically more costly because the expenses for inputs, production processes or the specialized technology are higher. Another reason is that the transportation of these goods is more expensive because they are often produced and consumed in only small quantities. For most product categories, green goods and services do not even achieve a share of 1 per cent in overall sales.⁷

According to recent studies and analysis, there is huge doubt as to whether green consumerism exists or not. Based on an analysis of monthly sales from March 2006 to March 2011 for nearly 4,300 items in 22 categories, conducted by Sanford C. Bernstein & Co., the market share of green products generally was down from their respective peak year.⁸ However, the downward trend may be temporary, according to a study by Ogilvy Earth, which shows that hidden underneath the current reduced sales of green products lay a strong demand base and potential for these goods. The study found that 77 per cent of the US Americans would like to consume in a more sustainable way, while 89 per cent of the Chinese citizens said that a green lifestyle is important to them.⁹ L'Oréal USA and the marketing research company ORC International conducted a survey on green purchases in the United States and found that 43 per cent of the respondents would purchase environment-friendly or socially responsible products if offered at the same price as their usually purchased brands.¹⁰ If given a choice between two equally performing products, 38 per cent of the respondents said they would choose the more eco-friendly option. These surveys underscore the importance of green marketing in raising consumer awareness.

⁵ United Nations Environment Programme, *Sustainability Communications: A Toolkit for Marketing and Advertising Courses* (Nairobi, 2005). Available from www.unep.fr/shared/publications/pdf/DTIx0886xPA-EducationKitEN.pdf (accessed 26 January 2012).

⁶ Graceann Bennett and Freya Williams, *Mainstream Green: Moving Sustainability from Niche to Normal* (Ogilvy & Mather, 2011). Available from http://assets.ogilvy.com/truffles_email/ogilvyearth/Mainstream_Green.pdf (accessed 26 January 2012).

⁷ Joel Makower, "Green Marketing is Over. Let's Move On", *Green Biz*, May 16, 2011. Available from www.greenbiz.com/blog/2011/05/16/green-marketing-over-lets-move (accessed 26 January 2012).

⁸ Stephanie Clifford and Andrew Martin, "As Consumers Cut Spending, 'Green' Products Lose Allure", *The New York Times*, April 21, 2011. Available from www.nytimes.com/2011/04/22/business/energy-environment/22green.html?_r=1&pagewanted=all (accessed 26 January 2012).

⁹ Graceann Bennett and Freya Williams, *Mainstream Green: Moving Sustainability from Niche to Normal* (Ogilvy & Mather, 2011). Available from http://assets.ogilvy.com/truffles_email/ogilvyearth/Mainstream_Green.pdf (accessed 26 January 2012).

¹⁰ Myriam Coneim, "Sustainable living survey fielded by L'Oréal USA reveals changes in attitudes, behavior and consumption are slow to come", *3BL Media*, April 20, 2011. Available from <http://3blmedia.com/theCSRfeed/2011-Sustainable-Living-Survey-Fielded-LOr%C3%A9al-USA-Reveals-Changes-Attitudes-Behavior-and-> (accessed 26 January 2012).

Strengths in green marketing

- **Business opportunity:** A majority of the population in countries of varying geographical and economic background want to consume in a more sustainable way.¹¹ Businesses can tap into this huge potential client base by stepping up their environmental performance and by communicating this change to their buyers. Organic food, beverages and supplements, for example, delivered revenues of US\$51 billion in 2008 and are expected to grow by 12.8 per cent annually until 2015, reaching nearly US\$105 billion.¹² In Asia, this growth is projected to reach an even higher rate of 20.6 per cent.
- **Environmentally conscious businesses:** In addition to improved profitability, which is a direct benefit for the business itself, green marketing can also benefit society by facilitating not only the communication about but also the use of green business practices. It can be assumed that companies engaging in environmental marketing activities actually have a high possibility to improve their behaviour, because to claim that their products are green they have to actually assess the product in a way that meets certain requirements to attain certified eco-labels.¹³ They do not want to lose the trust of the environmentally conscious consumers they address.
- **Environmentally conscious consumers:** If conducted correctly and credibly, green marketing can enhance the quantity and quality of environmentally conscious consumerism. By pointing out the adverse effects of conventional business and production practices on the environment and introducing and informing about green alternatives, consumers are enabled to make a conscious choice with their purchases.
- **Business practice transparency:** Green marketing is a double-edged sword for businesses. On one hand, they can appeal to green consumers, but on the other they have to live up to the green reputation they try to establish. In this sense, green businesses are held accountable by both the government and society. To be certified by green labels, companies have to disclose information about their management and production practices that would normally not be accessible to the public. Hence, green marketing is a tool that also enhances business transparency.
- **Acceptance of environmental price internalization:** An inherent part of green marketing is to communicate why green products are priced differently than their conventional counterparts. The premium price is the reflection of the environmental costs that the resource extraction and processing incur, which is usually not reflected in the market price. This way, green marketing helps acclimate consumers to accept paying higher prices for products that actually integrate the environmental impacts they inflict into their prices.
- **Supply chain expansion:** Green marketing can give consumers an idea of what green products and their benefits are and can encourage them to look for more green purchase alternatives in their proximity. This helps to expand the supply chain of green products by raising the demand for regional supply networks.
- **Closing the product life cycle:** Green products, advertised via green marketing, do not only encompass new inventions but also recycled, refurbished and remanufactured goods. By communicating their alternatives, which often are cheaper than usual green products and are considered as waste in the conventional supply and consumption patterns, green marketing can contribute to opening consumers' minds to the options and thereby closing the product life cycle.

Challenges for green marketing

- **Vague credibility:** False or misleading green marketing claims made by businesses that do not undergo proper certification but still want to appeal to environmentally conscious consumers can damage the credibility of the whole sector. Consumers have a hard time distinguishing between simple green advertisements and valid, certified claims.

¹¹ Graceann Bennett and Freya Williams, *Mainstream Green: Moving Sustainability from Niche to Normal* (Ogilvy & Mather, 2011). Available from http://assets.ogilvy.com/truffles_email/ogilvyearth/Mainstream_Green.pdf (accessed 26 January 2012).

¹² PR Newswire, "Markets and Markets: Global Organic Food and Beverages Market Worth \$104.50 Billion By 2015", February 24, 2011. Available from www.prnewswire.com/news-releases/marketsandmarkets-global-organic-food-and-beverages-market-worth--10450-billion-by-2015-116804058.html (accessed 16 February 2012).

¹³ Michael Jay Polonsky, "An introduction to green marketing", *Electronic Green Journal* (1994), vol. 1, No. 2. Available from <http://ogma.newcastle.edu.au:8080/vital/access/manager/Repository/uon:3104> (accessed 26 January 2012).

- **Deluding information:** Green marketing can lead to consumer awareness, but it also runs the risk of deluding consumers with erroneous information. There is always a danger that the marketing of these products or services may send a message that might lead to behavioural change with substantial adverse effect on the environment and society in the future (such as buying electric vehicles without considering how to dispose of old batteries in the future).
- **Gap between sustainable intention and behaviour:** Although most consumers might claim they are intending to follow a sustainable lifestyle or that they would want to buy green products, when it comes down to actually transforming these intentions into actions, only a fraction of people actually do it. A survey conducted by EcoAlign in the United States found that although 90 per cent of the American citizens were aware of the importance of eco-efficiency, only 3 per cent of them turned their computer off during the night.¹⁴
- **Price premium:** Consumers who are interested in making more sustainable purchases are often not willing to accept the comparatively high price of green products, resulting from the internalization of environmental costs. Only a very small fraction of the population is willing to compromise performance, quality or price in exchange for environmental performance in their purchasing decisions, diminishing the motivation for businesses to venture into green production and marketing.¹⁵
- **Information gap:** Despite the increasing consumer awareness of green purchasing alternatives, the number of people who are truly familiar with a wide range of green products or their benefits for the environment is still quite low. The US American environmental labelling programme, ENERGY STAR, for example, was only known to 56 per cent of American citizens some 12 years after its creation in 1992.¹⁶

Implementing strategies

Set legal constraints on green marketing. Governments can lead the private sector to better green marketing and ensure its credibility by providing guidelines or regulations for assessing products. Existing national and international regulations for marketing and advertisements mainly ensure honesty and transparency for protecting the safety of consumers. The idea of regulating marketing claims comes from consumer protection movements to govern certain production categories, such as organic products, or to regulate that a product accurately reflects the real qualities that it claims to possess. There are regulations dealing with misleading or deceitful advertising in all countries already, but only a few of them have set guidelines or regulations that deal with green marketing.

Country experience: Green guidelines in the United States

The US American Federal Trade Commission published the *Guides for the Use of Environmental Marketing Claims*, which outline general principles that should be applied to all environmental marketing claims.¹⁷ It also provides guidance on specific green claims, such as biodegradable, compostable, recyclable, recycled content, refillable and ozone-safe. The guidelines include principles to avoid unqualified general claims that address environmental benefits, which might deceive consumers.

Use eco-labelling as a tool to foster consumer awareness. Since the United Nations Earth Summit in 1992, an international consensus has been generated to integrate environmental issues into manufacturing procedures and consumption patterns to achieve sustainable development. Although manufacturers apply eco-labels voluntarily, the practice links producers and consumers. Currently, both certified and private standardized eco-labels exist. Setting standards for eco-labelling is a new form of regulation of the market economy that remains voluntary in nature.¹⁸

¹⁴ Graceann Bennett and Freya Williams, *Mainstream Green: Moving Sustainability from Niche to Normal* (Ogilvy & Mather, 2011). Available from http://assets.ogilvy.com/truffles_email/ogilvyearth/Mainstream_Green.pdf (accessed 26 January 2012).

¹⁵ Lizhi Wang, Yihsu Chen, Guiping Hu, and Bopaya Bidanda, *Can Green Products Survive Market Competition?* (Merced, University of California, 2008). Available from <http://faculty.ucmerced.edu/ychen/7Green.pdf> (accessed 16 February 2012).

¹⁶ *ibid.*

¹⁷ United States of America, Federal Trade Commission website "Part 260: Guides for the Use of Environmental Marketing Claims". Available from <http://www.ftc.gov/bcp/grnrule/guides980427.htm> (accessed 16 February 2012).

¹⁸ For more information, see FACT SHEET: Eco-labelling

Box 1: Ecological footprints

The ecological footprint is a way of measuring human pressure on the natural environment. Created by two researchers at the University of British Columbia in Vancouver,¹⁹ the concept was quickly popularized by numerous environmental NGOs, such as the World Wildlife Fund.

The ecological footprint of a population is the biologically productive land and water areas required to produce the consumed resources and to assimilate the wastes generated by that population, using prevailing technology.²⁰ According to the WWF *Living Planet Report 2010*, humanity's global ecological footprint has more than doubled over the past 50 years.²¹ It is now 50 per cent in excess of the biological capacity of the Earth. In Asia, the ecological footprint even tripled between 1961 and 2007.²² *The Living Planet Report 2002* also noted profound inequalities between income groups: on average, the footprint per person is more than six times greater in high-income countries than in low-income ones.²³

Box 2: Carbon footprints

A carbon footprint is often part of the ecological footprint. It is a measurement of the impact that human activities have on the environment, based on their greenhouse gas emissions, and is usually measured in tonnes of carbon dioxide equivalent (tCO₂e).²⁴ The term is used to address climate change and relates to the amount of greenhouse gases produced in daily activities through the burning of fossil fuels for electricity, heating, transportation, etc.

In the United Kingdom, The Carbon Trust introduced a CO₂ label in March 2007, in cooperation with the UK Department for Environment, Food and Rural Affairs and BSI British.²⁵ Companies that want to feature the label on their products have to calculate the carbon footprint of their goods according to the British Publicly Available Specification 2050 (PAS 2050).

Further reading

Sustainability Communications: A Toolkit for Marketing and Advertising Courses (Nairobi, United Nations Environment Programme, 2005). Available from www.unep.fr/shared/publications/pdf/DTIx0886xPA-EducationKitEN.pdf

Sustainable Consumption Facts and Trends: From a Business Perspective (Geneva, World Business Council for Sustainable Development, 2008). Available from www.fusbp.com/pdf/WBCSDSustainableConsumption.pdf

¹⁹ Mathis Wackernagel and William Rees, *Our Ecological Footprint: Reducing Human Impact on the Earth* (Gabriola Island, New Society Publishers, 1996).

²⁰ World Wildlife Fund, United Nations Environment Programme World Conservation Monitoring Centre and Redefining Progress, *Living Planet Report 2002* (Gland, Switzerland, 2002). Available from www.wwf.se/source.php/1165540/Living%20planet%20report%202002.pdf (accessed 16 February 2012).

²¹ World Wildlife Fund, Zoological Society of London and Global Footprint Network, *Living Planet Report 2010: Biodiversity, Biocapacity and Development* (Gland, Switzerland, 2010). Available from http://assets.wwf.org.uk/downloads/wwf_lpr2010_lr_1_.pdf (accessed 16 February 2012).

²² World Wildlife Fund, China Council for International Cooperation on Environment and Development, Institute of Geographic Sciences and Natural Resources Research and Global Footprint Network, *China Ecological Footprint Report 2010: Biocapacity, Cities and Development* (Beijing, 2010). Available from www.wwf.or.jp/activities/lib/lpr/Chn_EF_Report2010EN.pdf (accessed 16 February 2012).

²³ World Wildlife Fund, United Nations Environment Programme World Conservation Monitoring Centre and Redefining Progress, *Living Planet Report 2002* (Gland, Switzerland, 2002). Available from www.wwf.se/source.php/1165540/Living%20planet%20report%202002.pdf (accessed 16 February 2012).

²⁴ Cerolyn Pertsova, ed., *Ecological Economics: Research Trends* (New York, Nova Science Publishers, 2007).

²⁵ Organisation for Economic Co-operation and Development, *Better Policies to Support Eco-Innovation* (Paris, 2011). Available from www.carbon-label.com/the-label/guide-to-the-carbon-reduction-label (accessed 16 February 2012).