



GREEN MARKETING – GROWING SALES IN GROWING MARKETS

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Introduction

In 2005 Dovetail published an article about the fundamentals of marketing.¹ In it we suggested that an understanding of the basics of marketing is as fundamental to business success as is the recognition that “All I Really Need to Know I Learned in Kindergarten²” is to life. For green marketing the fundamentals are doubly important.

The key to green marketing is recognizing that first and foremost it is not about GREEN but about “marketing” and all the conditions of satisfaction around a good marketing program apply in spades here. In addition, for many companies trying to participate in the “green economy” green marketing may be the first time they truly attempt to introduce a new product or address an entirely new market. In both these cases utilizing good marketing processes and skills is essential to success. In a recent Dovetail Report, “Marketing as a process – Not Voodoo³,” we suggested a process by which an organization can coordinate its marketing activities, enhancing the likelihood of a programs success. In this current article we attempt to provide the reader with the fundamentals necessary to utilize that process to enter into the fast growing and exciting green marketplace. For many organizations the effort can be transformative for the organization’s market success, and may also trigger a cultural shift of dynamic proportions.

The Green Market

Although an agreed upon definition of GREEN does not exist, a focus on GREEN is generally considered as *a holistic effort to reduce the impact of resource use while making products or delivering services that won't harm people or the planet*⁴. The green market has been growing in one form or another since at least the 1970s, with the most visible component being organic food, but also encompassing herbal supplements, tea, personal care products, fair trade coffee, energy saving devices, Energy Star appliances, and more recently green building. What these markets all have in common today are customers that have demonstrated a willingness to seek out and purchase products with perceived benefits to both the health and welfare of the individual but also to that of broader society and the environment.

So, in concordance with the above definition of Green and the definition of marketing used in the previous articles, Green Marketing might be defined as:

“Those human activities directed at satisfying needs and wants through voluntary exchange processes, with full consideration of the social, ecological, and economic impacts of those transactions.”

¹ “Fundamentals of Marketing: Managing Markets, Products, Channels and Programs” Available at: <http://www.dovetailinc.org/files/DovetailMktg0805.pdf>

² “All I Really Need to Know I Learned in Kindergarten” by Robert Fulghum. See his website at <http://www.robertfulghum.com>

³ Available at: <http://www.dovetailinc.org/files/DovetailMktgProcess0910.pdf>

⁴ Adapted from presentation by Kim Carlson, “The EarthSmart Consumer” www.earthsmartconsumer.com

Green Markets

As we've pointed out previously, markets are groups of people, and good markets for your business are those that have the interest, willingness, and ability to purchase your products or services. The marketing process generally breaks large markets down to smaller groups of people with specific homogeneous characteristics called market segments; from these segments companies choose targets to seek out with their marketing programs (e.g., those individuals your advertising or sales staff are aimed at getting as customers). Today the green marketplace is so extensive that it is composed of a number of very specific segments and potential targets.



Green Countries

For each of the past three years the National Geographic Society and the international polling firm GlobeScan⁵ have surveyed 17,000 consumers in seventeen countries across the globe to determine what actions consumers in different countries are taking to "preserve" the planet. Questions delve into areas such as energy use and conservation, transportation choices, food sources, the relative use of green products versus traditional products, attitudes toward the environment and sustainability, and knowledge of environmental issues. The result, called the "Consumer Greendex," compares the countries surveyed for overall behavior with respect to characteristics.

In the most recent survey (2010), the top scoring consumers are in the developing economies of India, Brazil, and China (in that order), while industrialized countries rank at the bottom. American consumer's scores ranked at the very bottom, with Canadian, French and British consumers just above. The good news is that in the three years since the start of the research, environmentally sustainable consumer behavior has increased in 10 of the 17 countries studied. Consumers showing the largest increase in environmentally sustainable behavior were in India, Russia, and the United States.

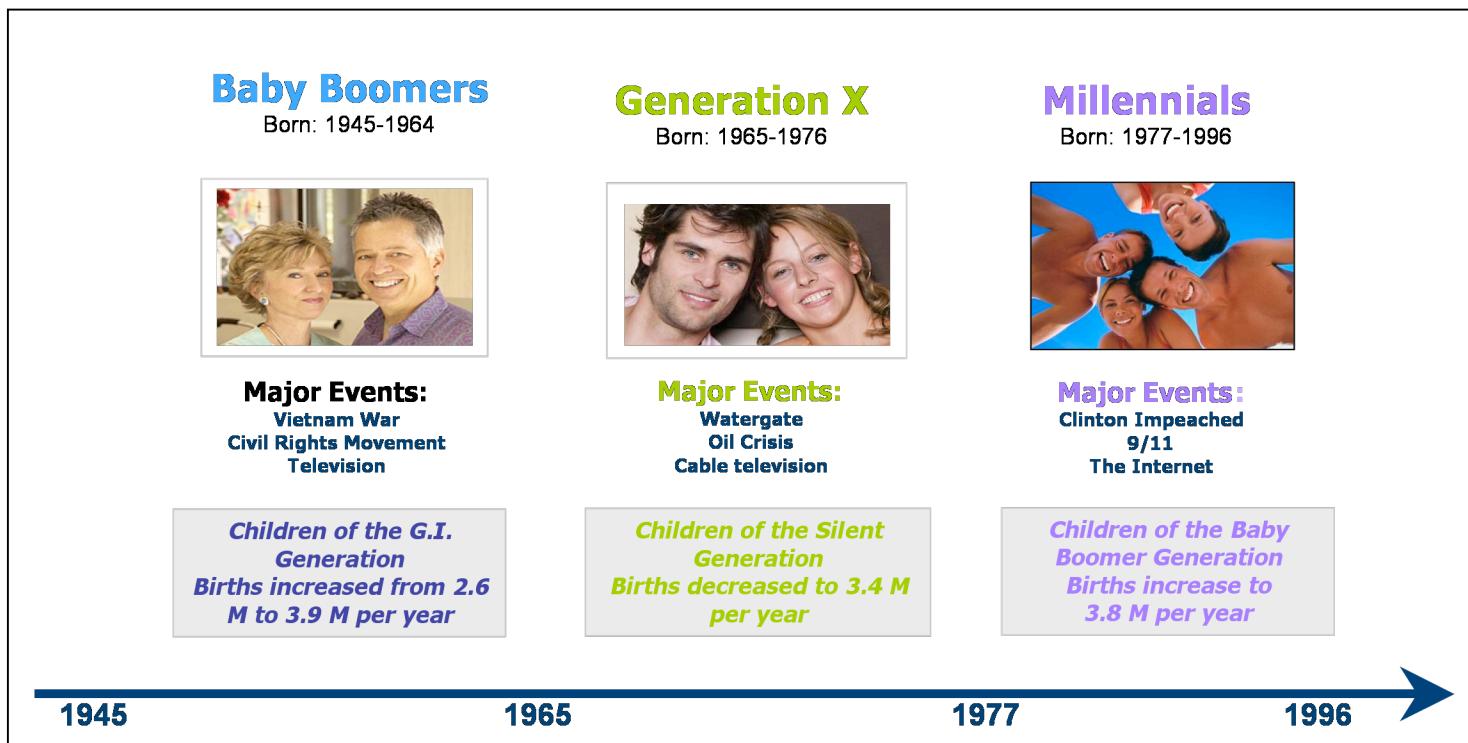
Interestingly, a great deal of the increase in the overall Greendex score in the U.S. was due to more sustainable behavior in the housing category, as measured by the energy and resources consumed within homes. The United States, Hungary, Britain, and Australia all showed marked improvement in this area. Greendex researchers suggest that in some countries (e.g., US) economic stimulus factors may have been a factor in motivating change.

⁵ www.nationalgeographic.com/environment/greendex

Green Groups

Within the U.S. marketplace there are a number of major segments that are generally identified as being critical to the marketing of any product. Foremost among these are the demographic generational divisions whose purchasing influence has been dominated until recently by the “Baby Boomer” segment. The United States is currently undergoing one of the most dramatic changes in generational purchasing behavior in history. This change has dramatic implications for green purchasing and was a significant contributor to the recent “great recession.”

Generations are defined both by birth characteristics (e.g., dates) and by sociological characteristics. Currently the groups most commonly identified by marketers are shown in the following graphic⁶. Every generation, and their purchasing behavior, is shaped by the major events of their time. As an example, the frugal behaviors of those raised during the great depression and World War II (referred to as the “Matures” or the “Great Generation”) are often cited as the most recognizable or distinctive behaviors of any generational segment.



For the past 25-30 years it has been the opinions of the “Boomers,” as the largest purchasing force in history, that have driven the beliefs of the country and the behaviors of marketers globally. However the Baby Boomer generation is aging, and for the first time in decades Boomers are shrinking their purchasing behaviors (e.g., smaller houses or condominiums) and are thus no longer the driving force behind consumption growth. They are being replaced by the “Generation X’ers” who are both a smaller group overall and who have very different priorities. Following this group are the “Millennials,” which is likely to succeed Boomers as the largest generation in history.

⁶ Source: NY Times July 24, 2009

The Table below suggests that both the “X’ers” and the “Millennials” have a significantly different perspectives on GREEN issues than Boomers, and are likely to demonstrate significantly “greener” purchasing behavior. Thus the Greendex improvements by US consumers could be linked not only to government incentives, but a shift in the wants and needs of at least the next two generations.

<u>Boomers</u>	<u>Gen X</u>	<u>Millennials</u>
Brand as a “badge”	Value – Mix & Match	Brand less Important
High-End Niches	Value, Quality, Best Deal	Based on Technology
<i>Information from traditional sources: Newspapers, magazines, radio and TV</i>	<i>Less likely to read newspapers and magazines, rely more on Internet for Information</i>	<i>Rely heavily on Internet, social networking for information.</i>
Home is extension of self and “great investment”	Place to hang your hat; need room for growing family, affordable	Need to live somewhere
<i>Conceptually support Green, but not willing to pay for it and other issues equally important</i>	<i>Committed to Green philosophies when can see actual benefits. Energy efficiency important</i>	<i>Very Altruistic regarding Green; think of Green as a way of life.</i>

Source: NY Times July 24, 2009

It should not be surprising that the Gen Xers are focused on energy efficiency, as they grew up during the oil crisis of the 1970s. Millennials have been bombarded by climate change information, as well as visions of dying polar bears, melting ice caps, and the like since their birth, so it also should be no surprise that their purchasing behavior is likely to be affected by their concerns over the environment. *The key point here is that this reflects a major change in attitude. So, just because your customers have seemed unwilling in the past to pay for GREEN attributes or have seemed relatively uninterested in GREEN benefits in general, it could be that shifting demographics will soon dramatically change societal interest in green products.* As upcoming generations develop the interest, willingness and ability to buy new homes, new furniture and new cars it is important for marketers to realize that these people will likely express new behaviors, concerns and priorities. It is critical to recognize potential changes in marketing planning going forward.

What about green business stats?

80% of businesses say, company would spend the same or more money on environment, health and safety as they did in 2009. Green Biz State of Business 2010

According to a September 2009 McGraw Hill report 76% of firms in the U.S. have made significant commitments to sustainability

81% of European CEO's are combating shortages in raw materials such as oil and water through focusing their efforts on sustainability.

Green Individuals

Marketing surveys have tried to identify individual interest in GREEN for decades, and have broken markets into various segments based on the responses to the questions of the time. In general, these surveys have pointed to five market segments varying from those extremely interested in green products to those who believe that GREEN concerns are all hogwash. Roper,⁷ as a result of surveys in the U.S., has identified the following groups and percentages representing market size:

True-blue Greens	10%	living sustainably is a lifestyle; believe they make a difference
Greenback Greens	5%	willing to pay, not a lifestyle
Sprouts	33%	occasional participants in green
Grouasers	15%	Green is "too expensive, too complex"
Basic Browns	37%	aren't convinced issues are real

Other Groups have surveyed consumers globally. The 2010 ImagePower® Green Brands Survey of 9,000 people in eight countries⁸ identified that a majority of consumers plan to spend the same or more money on green products in the coming year. Sixty percent of consumers in all

⁷ Green Marketing, 2nd Edition, Jaquelyn Ottman, 1998. Pp 22-29.

⁸ <http://www.wpp.com/wpp/press/press/default.htm?guid={7d135945-e34d-456b-a209-b27156624ce7}>

countries want to buy from environmentally responsible companies. More than two-thirds stated reducing toxins and dangerous substances as being the most important activity a company can do to be green, followed by water conservation or recycling. Environmental “consciousness” was considered to be a top brand priority, ranked in the top four interests of consumers along with “good value, trustworthy, and caring about customers.”

Energy use continues to be the biggest concern in the U.S. after the economy. Thirty-five percent of U.S. consumers polled said they would spend *more* on Green in the coming year. These data support the growth in influence of the new generations suggested by the studies.

The introduction of Green products complicates the job of marketers on two counts:

- many individuals have strong personal opinions on environmental issues, and
- a green product may be a new product in general and thus subject to all the product adoption challenges associated with any new product.

In general, new products appeal differently to different product adopter groups. Regarding adoption of new products, consumers have historically⁹ been divided into five categories:

Innovators	2-3%	risk takers (non-influential)
Early adopters	11%	opinion leaders, search out answers
Early majority	35%	less risk, rely on mass communication
Late majority	35%	more skeptical (want most people to do it first)
Laggards	17%	Suspicious, may not adopt until it's only option

It is easy to see some similarities here between the proportions in these groups and the green segments identified in the Roper research. There have also been a number of other proprietary research projects that suggest that consumers can also be categorized based on the amount of effort they will put into the purchasing process. The following segments have been suggested, in regard to Green Products:

Extremes	8%	will forego rather than buy non-green
Creatives	10-15%	will actively search for Green, but not forego
Awares	25%	will select green if a clear alternative is present
Avoiders	45%	simply want to avoid risky products/companies
Uninvolved	7%	aren't concerned about Green issues

In general, the size of a market segment is characterized by the number of people with common interests who are likely to respond to similar stimuli. In this case the segments vary greatly depending on the exact question asked and the exact issue involved. The same is true with each company and every product.

When addressing Green markets it is important to understand the specific interests of the group you are trying to serve. All customers pay for the benefits they expect to receive from a product or service. In general, it is probably fair to say that GREEN markets are specifically seeking certain kinds of benefits that need more explanation than is typical with more tried and tested

⁹ Philip Kotler and Gary Armstrong, Principles of Marketing, 7th edition.

products. There also may be more skepticism about claims, more emotion tied to certain specific product characteristics (e.g., genetically modified organisms), and a higher importance tied to key reference groups or influencers (such as certifying organizations). As in all marketing endeavors it is essential to “know your customer.”

Green Products

To date there is no accepted common definition of a Green product. However, there are some common characteristics of products generally accepted as green, including products that are:

- Energy efficient (both in use and in production)
- Water efficient (both in use and production)
- Low emitting (low or no VOCs, formaldehyde, or other hazardous emissions)
- Safe and/or healthy products
- Recyclable and/or with recycled content
- Durable (long-lasting)
- Biodegradable
- Renewable
- Reused products
- Low impact products (life cycle analysis)
- Third party certified to public or transparent standard (e.g., organic, certified wood)
- “Locally” produced

Two product groupings, certified organic food and certified green buildings, provide useful examples for those interested in pursuing the marketing of green products.

Organic

Probably the most successful GREEN product today is Certified Organic food. Once a small niche in specialty stores, Certified Organic can now be found as an individual product or a major component in food products on grocery shelves across the United States. An important development supporting this growth was the US Department of Agriculture (USDA) stepping in and officially regulating and creating a clear definition of what it means to be “Organic.” Under USDA guidelines:

Any agricultural product sold, labeled, or represented as “100 percent organic,” “organic” or “made with organic (specified ingredients or good group(s))” must be:

- *Produced in accordance with requirements in {various USDA subsections concerning specific applicability & production}*
- *Handled in accordance with requirements in {various USDA subsections concerning specific handling}*

To some extent the USDA action both legitimized organic as a product grouping and made it easier for the general population (those less willing to put much search effort into their purchasing) to participate. On the other hand, to many of the “Extreme Greens” or “True-Blue

Greens” this represented a diluting of the “Organic” brand and what to them were the important and broader implications of organic. To a great extent, this is also what led to the development of the GREEN trend toward buying local, as to these two market segments the term “Organic” had originally included the concept of buying locally from small farmers who do not use pesticides and herbicides; following USDA intervention such farmers were now competing against “Certified Organic” products from across the globe.

There are several important marketing lessons in this process. First, new products need a *champion market segment* (innovators or similar) to create a base of consumption that allows the idea to take hold and to increase overall awareness and interest. In GREEN it has been the Extremes or True-Blues that have played this role. These individuals are more likely to pay attention to complex messages because they put significant purchasing effort into finding the new, unique and specific benefits they are seeking and it is probable that they are more likely to use disposable income to pay a premium to achieve those benefits.

Second, to grow beyond the original segment the marketing *message must be simplified* and clarified to allow the larger market segments to be able to appropriately “evaluate” the attributes according to their personal abilities and willingness levels. Today, for many people, Certified Organic simply means produced without chemicals and with greater attention to the environment...that’s it, and that’s enough. This streamlined approach has led to other highly successful non-organic products that have used this idea of a simple message directly – e.g., “free-range” chicken, or hormone-free beef. The importance of clarity in the marketplace cannot be under-estimated.

Finally, large market segments are unlikely to purchase products where attributes and resulting benefits are publicly disputed. The *government’s role in defining the organic baseline* was critical for allowing marketers to create their spaces around the certified organic claim.

Green Building

Green building is probably the second most active GREEN market today. Within green building, there is the related use of certified products, such as certified wood products that are sourced from forests that have been enrolled in forest management certification programs and tracked through chain-of-custody certification processes. It is valuable here to discuss the difference between “Forest Certification” which has been around for nearly twenty years and “Certified Green Building” which is a process that has really only been around for about ten.

From a marketing perspective, Green Building represents a product (a commercial building or a house) whereas Forest Certification represents a process, in much the same way ISO¹⁰ or Underwriter’s Laboratories standards bring intangible and tangible values to products. As you recall, marketing is about products and markets, so you can market a product like a “LEED Platinum Certified Office Building” as being GREEN but you cannot necessarily claim that a product manufactured from wood coming from a certified forest is green, as the actual “greenness” depends completely on the sum of ALL the attributes of that product. Forest

¹⁰ International Organization for Standardization

Certification only represents a piece, albeit critical, of the wood product's puzzle; and it is a complicated piece as well, hindering its expansion to a larger market as described above and thus relying on the "clarification" of a regulatory body such as the government or in de facto organizations such as the US Green Building Council.

Today there are close to 100 green building programs across North America with over 150,000 professionally trained individuals associated with those programs. This creates a base of knowledge transfer ability like none seen before in the marketplace for any previous product grouping. Green building is truly being pursued with a missionary zeal.

Although a green building incorporates products with the types of characteristics listed above, green products represent only a small component of what a green building is defined to be. Most green buildings have easily defined benefits, which is one reason for their great success in the marketplace. For example, a certified green building, under any program, is meant to be energy efficient for heating and cooling, considerate in its approach to water use and water run-off on and from the site, likely to have highly efficient mechanical systems and appliances and more likely to have a healthy indoor air environment. The benefits from these characteristics are relatively simple to explain, are clear to the consumer, and thus have broad appeal.

Green Marketing

The two GREEN product groupings – organic food and green buildings – provide good lessons for those trying to market either green products or the green characteristics of those products. These are:

- If you have a really new idea/product, then you need to attract the attention of a champion group such as innovators, extremes, or true-blues to build awareness and overall interest in the marketplace. Appealing to this group requires specific marketing knowledge and programs.
- If you are trying to appeal to the broader marketplace – you need a simple message to explain the product's benefits.
- If possible utilize clear definitions as a benchmark. You might say you are GMO-free (genetically modified organism) as a clear benefit to some market segments.¹¹
- GREEN markets are focused on rational and emotional benefits more than most. Provide information that addresses both, and don't confuse the two.
- A trusted reference group is extremely valuable to aid in carrying a Green message. In the above examples the "certifier" plays that role.

¹¹ Interestingly, all wood products produced in North America are GMO-free, but it is still a major concern of the consumer.

Conclusion

The world is increasingly concerned about environmental issues, and global consumers, in general, are becoming active in seeking out green products and in “greening” their behaviors. Although trailing the rest of the world significantly in this regard at the moment, US consumers are, nonetheless, rapidly increasing their knowledge and interest in green behaviors and green products. Within the United States the rapid growth in Green Building along with government programs that support green practices related to energy consumption in the home have had a significant impact on the awareness and interest of green markets. In addition, changing demographics within the US and increasing relative purchasing power of the Gen X’ers and Millennials, who have significant interest in energy efficiency and green products in general, supports this trend.

Growing support for green products in the marketplace does not negate the simple truth that the way to your customers hearts and wallets, is through careful attention to their wants and needs (the benefits they are seeking) and providing the products and services that meet those wants and needs specifically and well. GREEN markets are growing as awareness and interest is growing to the possibilities of GREEN products and services being available. Better channels of distribution are developing and better communication tools are in place. GREEN is quickly becoming the standard by which products are measured, and success in GREEN Marketing will be the measure of success for many organizations.

This report was prepared by
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