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Chapter 6

Marketing

No product, regardless of how well it is designed, will reach consumers unless it is marketed effectively. The marketing function is an important component of any business. It is involved in the development, communication, and provision of value to consumers of the firm's products or services. This chapter demonstrates how sustainability efforts are integrated across the marketing mix: product, price, place (distribution), and promotion.

6.1 Product

The first element of the marketing mix is the product. The sustainable business addresses issues related to the product's design, packaging, and branding.

Sustainable businesses focus on green product design and development, as discussed in [Chapter 5 "Research and Development"](#). Green product design and development engages in design for the environment, sustainable product architectures, design for flexibility and reuse, green product testing, design for recycling, and life cycle analysis (LCA) for sustainability.

In designing for the environment, the sustainable business will become familiar with the International Organization for Standardization (ISO) 14000 standards, which focus on environmental management issues. The standards are quality guidelines for companies to continuously identify, control, and improve environmental performance. The sustainable business will take steps to create conditions to assure product testing does not cause unnecessary and harmful social or environmental impacts. Design for recycling, flexibility, and reuse not only reduces environmental impact but can also create cost efficiencies for the organization. It is important that the company conduct LCA on products and processes (discussed in [Chapter 5 "Research and Development"](#)). LCA is a method to better understand the impact of a product, service, or process throughout the entire duration of its life from acquisition of raw materials to use or reuse and to its eventual disposal.

Sustainability can also be applied to service design. Businesses providing services such as hospitals, hotels, and restaurants will focus on issues such as minimizing nonrenewable energy consumption, protecting water sources, enhancing the indoor air quality for the consumer, and using environmentally preferable products in providing those services.

A sustainable business also increases efforts to reduce waste and environmental impact through product packaging. Reducing the size of the package or redesigning the shape may result in increased efficiencies in storage and transportation. Eliminating plastic wrap or liners from products will reduce the amount of waste transferred to the landfill. Furthermore, biodegradable, recyclable, and reusable materials for packaging will significantly reduce the long-term environmental impact of packaging. Lastly, the packaging material itself may be altered.

Wal-Mart Stores, Inc. (and Sam's West, Inc.) was the first to implement a packaging scorecard to evaluate the impact of packaging from suppliers. The scorecard criteria cover such items as greenhouse gas/carbon dioxide (GHG/CO₂) emissions per ton of production, product-package ratio, cube utilization, recycled content, renewable energy, and transportation. Businesses using a packaging scorecard have an objective measure of commitment to sustainability efforts and can inform suppliers of the commitment to sustainable packaging.

Another packaging inroad is the concept of eco-labeling. An eco-label is a label or symbol, such as ENERGY STAR, EcoLogo, or Green Seal, that educates and informs the buyer of certain environmental claims. Sustainable businesses are urged to use industry-wide labels, standardized by ISO 14024 regulations, which are generally recognized by the public versus proprietary labels that do not carry the same credibility factor. Other types of eco-labels may provide information on the product through its life cycle, such as the origin and history of the product or the amount of greenhouse gas emissions created in production. This approach is currently being used in Patagonia's Footprint Chronicles and Wal-Mart's Love, Earth jewelry line. Consumers are able to track the life of the product from raw materials to retail sale.

Lastly, any business should avoid the use of vague terms on packaging, such as green, nonpolluting, natural, eco-friendly, and others. If using such terms, a business should be ready to provide evidence to support its claims. This includes full awareness and understanding of processes and product supply chains. For example, a company that claims its organic product was produced without chemicals or pesticides may find that contaminants have crept in from processing or transport and have made the claim ultimately false. Such vagueness has the potential to be misinterpreted and misunderstood in numerous ways by consumers.

A company will develop a brand in order to give its company and its products an identity. Branding builds an emotional bond or connection with the consumer, and with that bond an organization can obtain loyalty from the consumer. Sufficient consideration should be given to determine a brand name or symbol that identifies the brand with the company's sustainability philosophy and that captures the essence of the sustainable properties of the product. A sustainable business will have the triple bottom line (people, planet, profit) at the base of its branding. Sustainability and branding should provide a seamlessly integrated front. Separated from each other, branding faces the risk of becoming irrelevant or overlooked. Green companies will also want to differentiate themselves from other green companies on the basis of their sustainability. As an increasing number of organizations go green, it will become increasingly important to set themselves and their marketing efforts apart from the competition.

6.2 Price

Pricing is a major element in sustainability marketing. Issues such as price elasticity, premium pricing, and perceived value pricing will be discussed in relation to pricing for sustainability.

In the past, environmental and social costs were considered external to the production costs and had not, by general rule, been included in consideration of setting prices. However, as stakeholders and legislation increase demands on the companies to provide more sustainable solutions, companies have been driven to consider these costs within pricing policies. Sustainable companies reexamine costing methods (as discussed in [Chapter 4 "Finance"](#) and [Chapter 8 "Accounting"](#)) and begin to consider the real and actual social, economic, and environmental costs associated with products and services.

The demand for environmentally friendly products is inelastic, for the most part, meaning that a change in the price has little or no effect on the quantity that consumers are willing to buy. Consumers have generally been willing to pay a slight green premium, or higher price, for environmentally friendly products. Through premium pricing, sustainable businesses can continue to invest in innovations and development of sustainable processes. However, premium pricing does not have to be the case. In [Chapter 2 "Operations Management"](#), there are several considerations to help the sustainable business reduce costs through increased efficiency and reduced waste. When the sustainable business is successful in reducing costs from these efficiencies, it will have more flexibility in pricing policies.

Consumers have also become very knowledgeable and aware of sustainability alternatives and issues in recent times. When considering pricing strategies, companies need to be committed to ensuring that its sustainable products perform beyond or at least as good as those products that do not make sustainability claims. Companies may want to use perceived value pricing, which is a market-based approach to pricing as opposed to pricing based on the cost to make the product. The price is set by estimating the perceptions of the consumer regarding the benefit they think they will receive from the product or service.

6.3 Place (Distribution)

After producing the product, business must distribute the goods and services to the consumer. A sustainable business will want to create an efficient distribution system. In particular, logistics plays a vital part in the distribution system. Logistics is the freight transport of goods and services from manufacturer to distributor and onward to point of consumption.

The sustainable business may be interested in collaborative planning, forecasting, and replenishment, which focuses on information sharing among trading partners in order to develop a joint market plan. Not only can businesses share information, but they can also share transportation, warehousing, and infrastructure. The use of just-in-time electronic data interchange and electronic point-of-sale concepts by sustainable businesses allows ordering and stocking to be more cost effective and timely, which creates replenishment efficiencies in the system. Companies hold less stock, it is shipped only when needed, and this reduces unnecessary shipping.

Reverse logistics¹ is another concept that has arisen from the increase in efforts to reduce waste. Reverse logistics is the movement of a product backward through the supply channel to be reused, recycled, or reprocessed. Sustainable companies should create a continuous process that plans for products to be flagged for recycling or reuse at whatever point is most efficient. Agents in the chain should be identified that are in a position to collect the used products, classify and sort them, and then transport them back to the manufacturer. Kodak, the manufacturer of cameras, is very successful using reverse logistics and remanufacturing for their single-use cameras through retail photo processing. Another company, Lexmark, a printer and toner cartridge manufacturer, creates a process in which the customer is responsible for reverse logistics through rebate programs and incentives for returning used cartridges. Manjunder and Groenevelt (2001).

Freight is transported via various means such as roadways, waterways, railways, and air travel. Each has its advantages and disadvantages. The sustainable business will examine the viability of using efficient forms of travel, such as rail or waterways, to transport the product whenever possible. These forms can provide efficiencies in transportation costs by transporting more of the product at one time versus multiple transports by road with smaller loads. In addition, fewer loads result in fewer road accidents, which impact the triple bottom line from a social perspective.

1. The movement of a product backward through the supply channel to be reused, recycled, or reprocessed to reduce waste.

Roadway travel is by far the slowest means and, from a sustainability standpoint, it is also the most inefficient. When using the roadway for transport, the sustainable business will conduct transportation modeling solutions to determine the most efficient distribution system in order to minimize distances and transportation costs. Transport systems many times will be only partially loaded or even empty if precision in planning is not accomplished. The sustainable business may be able to collaborate with other businesses to maximize transportation loading in both directions where feasible. In addition, distribution facilities should be centrally located to minimize travel distances.

In order to reduce emissions, the transportation fleet should be periodically checked for fuel efficiencies and emission performance. Fleet carriers should not be allowed to idle when not moving (traveling), which unnecessarily uses excessive fuel. In order for internal systems to operate, such as radios, air-conditioning, and refrigeration, trucks typically have had to keep engines idling. IdleAire manufactures a system that provides truck stops with a power grid for truck hookup. The grid provides power to the trucks while they are parked. Using this product, the state of New York expects to reduce emissions from commercial truck idling by 98%. Washington State University Extension Energy Program (n.d.).

The sustainable business should also plan routes for maximum efficiency, such as UPS's right-turn-only policy, and include stop points at diesel stations that have truck stop electrification to provide trucks with grid-based electricity. Companies that ship both refrigerated and nonrefrigerated products may consider dual temperature vehicles that move both product types in the same shipment and decrease the need for separate carriage.

Another example of transportation innovations in product distribution can be found at Unilever HLL's subsidiary in India. The company's laboratories developed a method that allows ice cream to be transported cheaply throughout the country in nonrefrigerated trucks. This innovation significantly reduced electricity consumption, eliminated the need for refrigerants, and was cheaper than previous transportation methods. Prahalad and Hart (2002).

6.4 Promotion

Companies engage in promotion of products and services through advertising, public relations, word of mouth, and point of sale. The following paragraphs will discuss selected topics related to sustainable marketing promotion, such as advertising issues, cause-related marketing, sustainable promotional products, and greenwashing concerns.

Advertising is the most familiar element of promotion to reach potential customers. Businesses use sales promotions, personal selling, direct marketing, and public relations to communicate their message to potential customers. Market segment groups identified as particularly attractive for the sustainable business include **Lifestyles of Health and Sustainability (LOHAS)**² and Cultural Creatives. The LOHAS segment of the population is described as individuals committed to health, the environment, social justice, personal development, and sustainable living. The **Cultural Creatives**³ segment of the population is described as individuals committed to spirituality, social justice, and environmentalism. Together, they represent a sizable and growing percentage of our population.

Whether a business specifically targets LOHAS or Cultural Creatives segments of the population or targets the general population, consumers are attracted to ethical marketing practices. A sustainable business often engages in cause-related marketing, or connecting its branding image with certain causes to which consumers will strongly relate. For the sustainable business, the cause is sustainability, and therefore it is critical to communicate the social and environmental benefits of products. It is also important that consumers are able to see a clear connection between the company (or its brand image) and the charitable cause it supports. When consumers consider the product, the corporation's ethics and values are reflected in its choices of charitable causes and they are transparent to the consumer.

Two specific types of cause-related marketing are green marketing and social marketing. **Green marketing**⁴ refers to the marketing of products or services that are environmentally friendly. The U.S. Trade Commission and the Canadian Standards Association both provide guidelines for making environmental claims of products. **Social marketing**⁵ refers to marketing of products or services for social good. Sustainable businesses often partner with nonprofit organizations to promote social change or to donate a percentage of profit to these organizations. Well-known examples include the partnerships between Susan G. Komen for the Cure and (PRODUCT) RED and the various businesses that support these causes. Due to the emotional connections in linking a cause with a brand, consumer response may

2. A segment of the sustainable business market that consists of individuals committed to health, the environment, social justice, personal development, and sustainable living.
3. A segment of the sustainable business market that consists of individuals committed to spirituality, social justice, and environmentalism.
4. A type of cause-related marketing associated with the marketing of products or services that are environmentally friendly.
5. A type of cause-related marketing associated with the marketing of products or services for social good.

actually be stronger through these forms of cause-related marketing than by advertising alone.

Additional marketing promotion considerations are the marketing materials and promotional items. Marketing materials (including business cards) and promotional items will reflect the sustainable business's commitment to environmental and social responsibility. Marketing materials and items used by the sustainable business do not produce waste, require fewer resources in production, are recycled and reusable, are biodegradable, use soy-based inks, use nontoxic components, and avoid PVC plastic and other harmful materials. Examples of eco-friendly promotional products are items made from PLA, a corn-based biodegradable plastic (such as pens or coffee mugs); organic products (such as T-shirts and bags); recycled products (such as mouse pads, umbrellas, and clothing); and renewable energy powered products (such as solar-powered or water-powered flashlights, calculators, and radios).

There are numerous communication channels to reach sustainability-minded consumers and to promote your sustainability message. See [Note 6.6 "Promote Your Sustainability Message"](#) for a small sample of the many print and online outlets for both advertising and press releases.

Promote Your Sustainability Message

There are many print and online media outlets to reach sustainability-minded consumers, such as

- Business Ethics Magazine
- ClimateChangeCorp
- Corporate Knights
- CSRwire
- Environmental Leader
- Environmental News Network
- Ethical Corporation
- GOOD Magazine
- GreenMoney Journal
- Greener World Media and its associated sites (such as GreenBiz)
- Grist Magazine
- LOHAS Journal
- Matter Network
- Mother Jones Earth
- NEED Magazine
- Plenty Magazine
- Sustainable Business Design Blog
- Sustainable Industries
- TreeHugger
- Triple Pundit
- World Business Council for Sustainable Development

6. The act of creating an environmental spin on products or activities without a genuine business-wide commitment to sustainability. It often involves the promotion of a single product or an act of a company as being sustainable, green, or environmentally friendly.

The sustainable business's marketing emphasis will be on openness, honesty, and transparency in any product or company claims. An effort to promote a single token product or act of a company as sustainable, green, or environmentally friendly will be met with skepticism by critics and will earn the company a reputation of greenwashing. **Greenwashing**⁶ is the act of creating an environmental spin on products or activities without genuine business-wide commitment to sustainability. Sustainability is a company-wide goal that permeates through every task, role, department, division, and activity of the company. Unwitting businesses may engage in greenwashing for a variety of reasons, such as a lack of understanding of sustainability. Other reasons may include attempts to expand market share, attract and manage employees, attract investors, derail critics, circumvent regulatory issues, and improve image. However, greenwashing may damage an otherwise credible business's image or reputation.

The sustainable business can circumvent greenwashing by avoiding vague terms (such as green, nonpolluting, and eco-friendly), providing substantial evidence to support any sustainability claims, staying clear of irrelevant claims, and by providing specific details to curtail misunderstandings. Partnering with one's harshest critics and nongovernmental organizations, such as Environmental Defense Fund, American Red Cross, National Wildlife Foundation, and ClimateGroup, may provide the organization some guidance in making meaningful progress toward sustainability and in creating positive impressions.

Suspect greenwashing can draw attention and can subject companies to violations of various federal and state laws. In particular, the Federal Trade Commission (FTC) Act set forth Green Guides in 1992 and revised them in 1998 to provide basic principles on what is permissible in green marketing claims. Due to the nature of guidelines, which are not legally binding, there has been little enforcement for companies to closely follow the guidelines. However, the FTC's task is to monitor and prevent unfair deceptive practices and to bring action against a company if they believe it has committed deceptive practices. The criteria for deceptive practices are based on whether a claim can be substantiated, whether the claim is vague and misleading, and whether the claim provides an overstatement of environmental benefits.

Due to the rise in green marketing claims, the FTC is in the process of again updating the guidelines. A new chair of the FTC, William Kovacic, has been appointed and appears to be a strong advocate of addressing greenwashing. Companies are likely to observe stronger enforcement of the FTC Act with regard to greenwashing. The FTC has been holding public meetings on topics related to green marketing, such as green buildings, carbon offsets, and renewable energy certificates. The revised Green Guides are to be released in 2009.

In addition to FTC Green Guides for businesses, several third-party Web sites seek to help consumers identify cases of greenwashing. GreenPeace offers a Greenwash Detection Kit, Retrieved March 23, 2009, from <http://archive.greenpeace.org/comms/97/summit/greenwash.html> TerraChoice details the Six Sins of Greenwashing, Retrieved March 23, 2009, from <http://sinsofgreenwashing.org/findings/greenwashing-report-2007/> CorpWatch tracks offenders through its Greenwash Awards Retrieved March 23, 2009, from <http://www.corpwatch.org/article.php?list=type&type=102> and related publications, Bruno (2002). and EnviroMedia Social Marketing and the University of Oregon maintain the Greenwashing Index. Retrieved March 23, 2009, from <http://www.greenwashingindex.com> The FTC and third parties are each placing growing emphasis on separating greenwashing from authentic green claims.

This chapter has shown that sustainability impacts marketing decisions made within the standard marketing mix of product, price, place, and distribution. Sustainable businesses will design, package, brand, price, distribute, and promote products and services with social, economic, and environmental impacts in mind.