



REVIVING A REVOLUTION

New Tools to Capture the Elusive Green Consumer

By RICARDO G. BARCELONA

The 1990s augured an eco-friendly era. On the back of a seminal report by the World Commission on Environment and Development (WCED) of the United Nations, many started to heed the call for “green marketing.”

Jacquelyn Ottman, one of the first to write about this phenomenon, defines green marketing as a way for companies to create competitive advantage by communicating their environmental and social initiatives, so as to appeal to a wide range of stakeholders. By this, she is not talking about a clever new advertising campaign, which would amount to mere “greenwashing,” an abuse of what green marketing is actually about, she says. There has to be substance behind it, which may require new product development or that companies

modify or reconfigure their existing products or services in some way, in order to consume fewer natural resources or use them more sustainably, reduce excessive packaging and waste, and promote the health and safety of workers. This makes green marketing inextricably linked to “green procurement.”

Thus, in response to, and in anticipation of, growing consumer demand for such things, companies began to make a formal assessment of the environmental and human consequences of their products and services throughout their entire life cycles, from the gathering of raw materials and the manufacturing stage, to their end use and final disposal. One 1990 study reveals the dramatic impact that the green agenda was having on corporate strategies and operations at the time. IMD professors Sandra Van-



dermerwe and Michael D. Oliff surveyed and interviewed top executives of consumer and industrial multinationals largely in Europe but also in North and South America, South Africa and Oceania. Ninety-two percent claimed to have made green adjustments to existing products or introduced new product offerings. Eighty-five percent had reconfigured their existing production systems, while 81 percent had switched production processes, plants and materials in line with green programs.

By the mid-'90s, however, that momentum had shifted down a gear, as a gulf emerged between those who expressed high environmental concerns on the one hand, and those who actually purchased green products on the other. Sensing a loss of appetite, several companies, such as the supermarket chain Sainsbury's and the soapmaker Lever Brothers, discontinued their green product lines entirely.

Some tried to give this backpedaling an optimistic spin: As more mainstream products now featured new and improved green traits, the pressure for specialized ones had subsided. Yet others attributed the paradox of high environmental concern and low product uptake to a creeping jadedness about green products

generally. Such was the state that corporations found themselves facing at the end of the 20th century.

The first decade of this century appears to have revived the eco-friendly spirit – but this time, *sustainability* is the buzzword. According to the market research group, Mintel, of the more than 13,000 new food and drink products it has tracked globally since 2005, a growing number are making “green” or “sustainable” claims, ostensibly in response to a surge in consumer demand. Today's consumers care not just about the quality and safety of the product itself, but where it comes from and how it was produced. So, boasting that products are “recyclable” and “environmentally friendly,” providing information on solar/wind energy usage and carbon footprint/emissions, being locally sourced and fairly traded – all of these claims strike the right note with the contemporary social conscience and heightened concern for environmental and human welfare. Yet, as Mintel also pointed out in its October 2010 market report, most of us still have only vague ideas about what any of these claims actually mean.

Whatever the reasons for wanting a more sustainable offer, the vast array of guidance, standards and accreditations coming into force today suggests that concern about the business impact on society and the environment is no longer the preserve of a few isolated activists. Whether or not companies fully embrace green marketing and procurement remains to be seen. However, by understanding where views currently stand, companies with an eye on sustainability issues can make green marketing and procurement an economically viable part of their business activities.

■ EXECUTIVE SUMMARY

Some feel the reason that the green boom of the '90s failed to realize its full potential was partly due to a lack of understanding of what constituted the “green consumer” in the first place. In this article, the author fleshes out this fragmented picture, using the results of a study of executives from 26 countries to discern their attitudes toward sustainability practices, both at home and at work.

The research reveals some surprising differences from previous pictures of green consumers. Among other things, economic pragmatism seems to play a much larger role than pure altruism when it comes to purchasing decisions.

Therefore, businesses seeking to exploit altruism to advance their sustainability agendas may need to rethink their approach, and focus on offering tangible value that benefits their stakeholders.

The author overlays these findings with “locus of control” – testing how the internal or external orientations of individuals may predispose their behavior. Together these findings yield a constructive framework that combines dispositional factors and economic trade-offs, which will help executives as they seek to integrate sustainability into their procurement practices, while also rethinking their product or service offerings for consumers.

To Know Them, Start With Us

In this article, I summarize the results of research that colleagues and I carried out among numerous emerging business leaders taking part in executive programs at IESE Business School, Cranfield School of Management (U.K.) and the University of Asia and the Pacific (Philippines). The respondents lived in 26 countries, with 55 percent coming from developed markets. Their median income was several times higher than their country of residence's per capita income. The sample, therefore, reflected significant purchasing power, as well as respondents' potential capacity to influence



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the corporate procurement decision-making process through their leadership roles.

Our goal was to discern these people's green predispositions and practices. Why? Some feel the reason that the green boom of the '90s failed to realize its full potential was partly due to a lack of understanding of what constituted the "green consumer" in the first place. We wanted to flesh out this fragmented picture, which would help companies to frame a better offer to consumers.

Furthermore, much market research focuses on the behavior and attitudes of those "out there" and the products and services that we are going to sell to "them." But look around you. All of this focus on green consumers in the marketplace must not obscure the fact that those inside the company – the executives themselves who are devising these marketing strategies – are consumers, too. How do these business leaders view sustainable products and services?

In trying to determine purchasing decisions in a corporate context, what may matter more is discovering the various sources of influence that have a bearing on executives' lives, in both their personal and professional domains. Are there greater factors at play when it comes to devising a marketing or procurement strategy for sustainability other than pure demographics, as the received wisdom would have us believe? Knowing these factors – and how executives' predispositions to sustainability issues affect their purchasing decisions on behalf of their organizations – can shed light on where companies' sustainability practices may be headed.

A Fuzzy Picture

To start, there is quite a lot that executives can learn about why the green agenda floundered in the past. Since its emergence, green marketing has focused on mass consumer products and classic demographic segmentation. Although demographics can be a useful means of defin-

ing niches for consumer goods, they appear to be ineffective when it comes to identifying the "typical" green consumer.

In the past, green consumers have been portrayed as young, highly educated women, while others have correlated green purchasing with marital status, occupation and number of children.

The behavior patterns of green consumers have been equally hard to nail. Some research has indicated that they hold extremely strong views on environmental problems, are willing to pay a premium for green products and will run a mile from any product or service that has a negative environmental impact. Others regard green consumers as product grazers – for them, the green label merely serves as a tie breaker at the moment of purchase. They are perceived as sleepy, but can be roused by NGOs, like Greenpeace, in response to high-profile events, like oil spills, which serve to rally the troops.

Another hurdle for sustainability has been that it often gets lumped together with corporate social responsibility (CSR). As a result, it is treated as tangential to a firm's primary goals and objectives, which are economic.

Finally, companies have adopted a number of false approaches to highlight the sustainable credentials of their products and services. Often, initiatives such as green labeling have little to do with an authentic sustainability philosophy. The proliferation of these so-called green products and services has only served to make consumers more wary of them, exposing the huge gap between rhetoric and reality.

Today, the lack of understanding about sustainability as a marketing opportunity persists, and the typical green consumer remains as elusive as ever. A report by the International Institute for Sustainable Development (IISD) has suggested that green consumers are sincere in their intentions, but judge their practices as inadequate. They maintain a bias for companies that are taking substantive steps to improve