

Green Isn't Just The New Black

Now is the time to start taking green seriously - the future of your business depends on it.

Do people really care about being and buying green (by green, we mean products and services that do little or no environmental harm)?

Many marketers – especially during difficult economic times – have questioned whether consumers really care about green, and we've heard marketers verbalize that it's just a fad, and nothing more.

Here's our point of view:

- If you consider green to be a fad, you are putting the future of your business at stake. Very soon (more like yesterday), CMOs will demand insight into customer behavior as it relates to green before making any major marketing decision.
- Today, green is in a similar state of development as social media. It presents tremendous business opportunities with significant ROI but very few companies are even close to being positioned to take advantage.

OK, maybe you think we're being a little melodramatic. Here's some evidence as to why these viewpoints are accurate, and why green will play a significant role in almost every successful marketing plan in the present and not too distant future.

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We aren't the only ones bold enough to make this statement. Lee Daley, the Chairman and CEO of Saatchi & Saatchi UK recently noted that "companies which do not live by a green protocol will be financially damaged because consumers will punish them." In fact, he goes so far as to state that longer term he "does not think they will survive."

Green policies are popping up on more and more company mission statements. Sarbanes-Oxley actually mandates that company environmental impact and sustainable development plans be made publically available. And a recent poll conducted by GMI found that among 18-29 year olds, the number one way to be identified as a socially irresponsible company is by being found to be environmentally negligent.

However, even beyond all the important considerations of social responsibility, looking at green as a fad, or as a relatively simple marketing tactic to address, *misses the fundamental point about how consumers make decisions.*

Most people tend to look after their own self-interests first. It could even be argued that those who seem outwardly motivated to serve others are in a sense ultimately serving their own interests, because they receive positive psychological reinforcement (good feelings) from “good” acts (we’re not being cynical here – we’re thankful people do good deeds regardless of motivation). So let’s acknowledge that the same goes for green and the environment. For the environment to be valued it has to enter into the customer’s self-interest. In economic terms, it must be a factor in weighing of costs and benefits.

We’re going to pick on a company with a phenomenal reputation for building connections with customers: Starbucks. We love Starbucks (if we knew a colossal asteroid was going to slam into the earth in 15 minutes we’d run out and pick up a Caramel Macchiato, calories aside). Still, on the sleeve of every hot drink at Starbucks, the company notes that 60% of the sleeve is made from post-recycled consumer waste. What do these words actually mean to the average consumer? Where is information about Starbucks committing to using 100% recycled materials in all cups and sleeves by the end of 2012? How many trees is Starbucks saving by using post recycled consumer waste? How much landfill space won’t have to be used through this initiative? Currently, relying on customers to make leaps from some of the sleeve being made from post-recycled consumer waste to answering these questions is a missed relationship opportunity for a premium brand. In the future, calling out green “features” consumers have no way

of considering as either costs and benefits will be a fatal faux-pas.

While we’re picking on one master marketer let’s pick on another. If you go to the Apple web site and search for green laptops you will find that Macbook Pro is the world’s “greenest line of notebooks.” Yet if you go to Best Buy, we bet you won’t find one word about how green Macbook Pros are (unless Steve Jobs is a reader of our humble Thoughticles). Why is communicating green “important” online, but not at retail? Why is Apple failing to completely communicate such a critical factor in consumer weighing of costs and benefits?

Very soon, CMOs will demand insight into customer behavior as it relates to green before making any major marketing decision.

Because awareness of and concern with green is growing among younger consumers and because government regulations are forcing green corporate, brand, and product/service positioning front and center, CMOs will be asking (smart ones already are asking) what a future without effective, tested green positioning may hold.

We know that when the price of gas goes up, Prius sales will go up (funny how that works). If we have personal experience with products that have caused us harm or we have reason to believe they could (e.g., products indicated to cause cancer), our self-interest throws up red flags. We start to care a great deal about the hazards that might attend the use of particular products. We start to value intangibles like potential risk and harm, not just

“simple” price and performance utilities. Strict cost-benefit calculations will mislead if we are not careful about what factors we include in the calculation. Emotions, irrational acts, and personal and social values all come into play.

Of course, with green, the issue gets even more complex. There are often environmental consequences for products that we as individuals do not immediately consider, such as pollution that affects a neighboring community’s water supply. This type of environmental consequence may not be directly felt by the parties in a commercial transaction; it is what economists call an “externality.” So, environmental externalities are not a factor in a person’s decision to buy or use a product or service until they are made visible by regulation, explicit costs (i.e., taxes) or because the person develops a heartfelt set of environmental values.

What does any of this have to do with marketing green products to customers? Everything! This demonstrates that we need a deeper understanding of customer motivations and how they have internalized personal and social values, externalities, and more to gain a greater ability to predict future customer behavior.

What is needed is a convergence of the psychology of human motivation with the economics of decision making to understand more fully the challenge and opportunity in marketing a green brand position or product. Only these types of psycho-economic approaches can lend new insight into understanding relationships between green positioning, consideration, and loyalty. CMOs

need to understand how green impacts decision-making as a dynamic, possibly evolving variable that is growing in significance. And almost all marketers can play a helpful role in building a holistic, accurate understanding.

In short, we see category-appropriate green positioning becoming a standard concern and measure in product and service-specific innovation, brand, and advertising strategies. It will become every bit as ubiquitous a point of consideration as price, target audience, intent to purchase, and uniqueness.

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This is true in virtually every product category. Seventh Generation and Kashi are some of the leaders at this early stage of the game on the consumer products front, but it will become increasingly important for companies to develop positive green brand awareness in everything from retail (Wal-Mart’s efforts on conserving store energy on this front are well known), to technology (green is a key driver of the trend towards greater server virtualization), to financial services (both the Dow Jones Sustainability Group Index and the FTSE4Good Index have been launched), to entertainment (Sony Pictures has recently launched eco-friendly packaging for all DVDs). *In other words, if you don't think green will dramatically affect how*

you position your business and products to customers you aren't thinking hard enough.

Still, marketers are struggling to find success (ROI). A recent study of shoppers by the Grocery Management Association found that 95% of shoppers would consider purchasing green products but:

- Only 67% of them actively look for green products;
- Only 47% of them actually find green products regularly; and
- Only 22% of them purchase green products regularly

Why do only 22% of shoppers purchase green products regularly? Well, in trying economic times we would expect the higher prices on green items to play a role, but couldn't lower priced brands actively tout more limited green initiatives they probably have in place as cost savings efforts? And perhaps there just simply aren't enough green products available from which to choose?

In short, we believe marketers aren't doing a good job at positioning brands and products as green because they aren't taking green seriously. **As with all sound innovation and brand communication strategies, green positioning needs to be believable, pertinent to target customers and prospects, effective, and set apart from the competition. We acknowledge this is hard work, but marketers who lose the battle to resource green marketing strategies are vulnerable to killing the brands they strive to build every day.**

Hansa provides a full range of qualitative and quantitative research services. Our experienced research and consulting team, including PhD-level statisticians, uses innovative, data-driven methodologies tailored to our clients' research needs.

We pride ourselves on our ability to truly understand the voice of the customer and translate that voice into winning strategies for brand development, marketing communications, customer relationship enhancement, and product/service innovation.