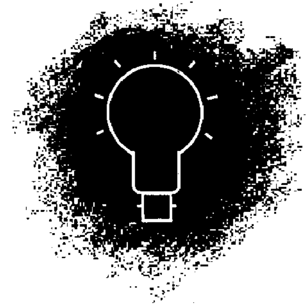
Business Strategy and the Environment
Bus. Strat. Env. **11**, 285–297 (2002)
Published online in Wiley InterScience (www.interscience.wiley.com). **DOI**: 10.1002/bse.338

GREEN MARKETING, PUBLIC POLICY AND MANAGERIAL STRATEGIES



Aseem Prakash*

University of Washington – Seattle, USA

Green marketing subsumes greening products as well as greening firms. In addition to manipulating the 4Ps (product, price, place and promotion) of the traditional marketing mix, it requires a careful understanding of public policy processes. This paper focuses primarily on promoting products by employing claims about their environmental attributes or about firms that manufacture and/or sell them. Secondarily, it focuses on product and pricing issues. Drawing on multiple literatures, it examines issues such as what needs to be greened (products, systems or processes), why consumers purchase/do not purchase green products and how firms should think about information disclosure strategies on environmental claims. Copyright © 2002 John Wiley & Sons, Ltd and ERP Environment.

Received 10 August 2001
Revised 21 March 2002
Accepted 2 May 2002

*Correspondence to: Dr. Aseem Prakash, Asst. Professor of Political Science, University of Washington – Seattle, Box 353530, Seattle, WA 98195-3530, USA. E-mail: aseem@u.washington.edu

Copyright © 2002 John Wiley & Sons, Ltd and ERP Environment.

WHAT IS GREEN MARKETING?

This paper examines issues in understanding the relationship between the marketing discipline, the public policy process and the natural environment. Many terms describe this relationship: environmental marketing (Coddington, 1993), ecological marketing (Fisk, 1974; Henion and Kinnear, 1976), green marketing (Peattie, 1995; Ottman, 1992), sustainable marketing (Fuller, 1999) and greener marketing (Charter and Polonsky, 1999). Although the notion of marketing is more expansive, this paper employs the term green marketing to refer to the strategies to promote products by employing environmental claims either about their attributes or about the systems, policies and processes of the firms that manufacture or sell them[1]. Clearly, green marketing is part and parcel of the overall corporate strategy (Menon and Menon, 1997). Along with manipulating the traditional marketing mix (product, price, place and promotion), it requires an understanding of public policy processes. Green marketing also ties closely with issues of industrial ecology and

[1] As the anonymous reviewer correctly points out, some firms may employ principles of sustainable marketing but choose not to promote products on this basis. This may be because firms have witnessed (or experienced first-hand) media and environmental groups criticize such claims. This paper focuses only on firms that make an explicit use of environmental claims to promote their products or corporations.

environmental sustainability such as extended producers' liability, life-cycle analysis, material use and resource flows, and eco-efficiency. Thus, the subject of green marketing is vast, having important implications for business strategy and public policy.

Firms can 'green' themselves in three ways: value-addition processes (firm level), management systems (firm level) and/or products (product level). Greening the value-addition processes could entail redesigning them, eliminating some of them, modifying technology and/or inducting new technology – all with the objective of reducing the environmental impact aggregated for all stages. A steel firm may install a state-of-the-art furnace (new technology), thereby using less energy to produce steel.

Firms could adopt management systems that create conditions for reducing the environmental impact of value-addition processes. A good example is the Responsible Care program of the chemical industry, which establishes systems to promote environmental, health and safety objectives. However, management systems' efficacy for greening value-addition processes is difficult to quantify if they are not accompanied by performance measures. Thus, by having measurable (therefore, easily monitored and understood) performance indicators, firms can make verifiable claims about the environmental impact of their management systems. Conceivably, consumers may reward such firms, if they can easily access and interpret such information[2].

[2] Perhaps, institutional consumers have more expertise than households to examine environmental claims, verify and interpret them. Recently, multinationals such as Ford and Shell have begun encouraging their vendors to become ISO 14001 certified. Of course, a key reason is that firms' potential liabilities extend beyond their physical boundaries, often including the supply chains (Peattie and Ratnayaka, 1992). Effective environmental management systems prevent industrial mishaps, and if they do occur help firms to demonstrate that they had taken reasonable precautions to prevent them (Drumwright, 1994). Governmental interventions may also require institutional consumers to take into account environmental policies of their vendors. For example, many European governments require suppliers to have European Management and Audit System (EMAS) certification.

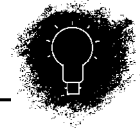
The third greening strategy pertains to products. Building on Charter (1992), this could take place in the following ways: (i) repair – extend the life of a product by repairing its parts; (ii) recondition – extend the life of a product by significantly overhauling it; (iii) remanufacture – the new product is based on old ones; (iv) reuse – design a product so that it can be used multiple times; (v) recycle – products can be reprocessed and converted into raw material to be used in another or the same product – and (vi) reduce – even though the product uses less raw material or generates less disposable waste, it delivers benefits comparable to its former version or to competing products. In addition, greening products could include 'designing for the environment' and devising new institutions to reduce environmental impact of product use by developing systems to replace dominant pattern of private ownership and use (as in cars) by a mix of collective and private use (through leasing and renting).

This paper focuses *primarily* on issues germane to promoting greenness of products/firms and *secondarily* to product, pricing and strategy issues. The first section examines how market (primarily, consumers) and nonmarket environments create incentives for firms to adopt green marketing strategies. The second section reviews some key issues in the marketing literatures relevant to green marketing. Finally, in the third section, conclusions and managerial implications are presented.

MARKET AND NONMARKET CONTEXTS

Firms may choose to green their systems, policies and products due to economic and noneconomic pressures from their consumers, business partners (the market environment), regulators, citizen groups and other stakeholders (the nonmarket environment). As David

Copyright © 2002 John Wiley & Sons, Ltd and ERP Environment



Baron (1995) has argued, market and nonmarket environments impact each other. Thus, firms need to adopt an integrated approach to their market (in the context of household consumers in the discussion below) and nonmarket strategies. For example, in adopting green marketing policies, firms may encounter many challenges such as a disconnect between consumers' attitudes and actual behaviors, and their unwillingness to pay premiums for green products. This may be partially rooted in consumers' skepticism of environmental claims. Thus, regulatory and policy issues on environmental claims (such as labeling or advertising) that arise in the nonmarket arenas may have bearing on firms' market strategies. Key market and nonmarket challenges are examined below.

Consumers: attitudes versus behaviors

Since the 1960s, environmental issues have gained importance in business as well as public policy discourses. Recent polls report that 87% of U.S. adults are concerned about the condition of the natural environment (Phillips, 1999), 80% believe that protecting the environment will require major changes in current life-styles (Ottman, 1996) and 75% consider themselves to be environmentalists (Osterhus, 1997). Not surprisingly then, some scholars believe that consumers are willing to pay premiums for green products because consumers often prioritize green attributes over traditional product attributes such as price and quality: 50% of Americans claim to look for environmental labels and to switch brands based on environment-friendliness (Phillips, 1999). However, the caveat is that such claims and attitudes may not always translate into *actual behaviors* (McGuire, 1985). One reason could be the social pressures to be 'green' (Ritchie and McDougall, 1985). Consequently, notwithstanding the claims about the concern for the natural environment, *mass* consumer markets for green products in *most* categories have yet to develop[3].

Some scholars claim that green policies/products are profitable: green policies can reduce costs; green firms can shape future regulations and reap first-mover advantages (Porter and van der Linde, 1995; for a critique, see Rugman and Verbeke, 2000). However, this does not seem to be the norm within and across most industries. Many believe that green policies are expensive, especially after the initial gains – the 'low hanging fruit' – in reducing end-of-the-pipe pollution have been harvested (Walley and Whitehead, 1994). As a result, firms often need to charge premium prices for green products. Of course, if green products were cheaper than other products, their premium pricing would be less of an issue for consumers.

The above discussion raises two issues regarding consumers' benefit–cost calculus: first, whether consumers regard greenness of products/firms as 'hygiene' or 'motivating' factors, and second, to what extent green products create social benefits but impose private costs. Extending Maslow's (1943) theory, Herzberg (1966) developed a theory of work motivation that focused on two work-related factors: those that motivated employees (motivators) and those that prevented dissatisfaction among them (hygiene). As discussed in Prakash (2000), a key challenge for marketers is to understand whether consumers view firm/product greening as motivating factors (their presence induces consumers to purchase a given product; preference for a product is an increasing function of the greening level) or hygiene factors (their absence may bother consumers but, after a low threshold of greening, the preference for a product is not an increasing function of the greening level). If consumers favor firms with green policies (for example, the one with ISO 14001 certification

[3] Notable exceptions exist. For example, the looming trade war between the US and the EU is partly due to the resistance of the European consumers to purchasing cheaper but genetically altered food items from the US.

Copyright © 2002 John Wiley & Sons, Ltd and ERP Environment

is preferred) or green products (for example, the one with a higher percentage of recycled inputs is favored), green policies/products are motivating factors. Managers, therefore, have economic justification to ensure that their firms/products are greener than their competitors'. However, if consumers do not care much about who is greener, but they do penalize firms that violate environmental laws or emit high levels of toxins, greenness is a hygiene variable – 33% of adults claimed to have avoided buying products, at least occasionally, from companies with poor environmental records (Ottman, 1996). If so, then the managerial task then is to obey environmental laws, to stay out of trouble with the regulators and to avoid bad press by undertaking minimal beyond-compliance initiatives.

Greening firms/products often creates *societal* benefits (especially, over products' life cycles) but imposes *private* costs on firms[4]. If firms do not/cannot pass on such costs to consumers, they hurt their shareholders. However, most consumers are perhaps not ready to bear increased *direct* costs (as opposed to *indirect* costs imposed by environmental regulations or more stringent product standards)[5] either for societal well being or due to their skepticism about firms' environmental claims (for an opposing view see Coddington, 1993; Davis, 1993)[6]. Consequently, many mass marketers continue to focus on the conventional product attributes such as price, quality and product features (Hansen, 1997; Phillips, 1999; for an opposing view see Berger and Kanetkar, 1995). If the price elasticities are less than unity, firms could conceivably pass on the increased costs to consumers, thereby increasing profits. This is not the case for most product categories. Except for an expanding number of niche markets, consumers resist paying premiums for green products. Of course, the elasticity argument assumes that firms have short-term perspectives. Arguably, some firms have long-term perspectives and may adopt green policies because 'they are the right things to do'.

This paper focuses on household consumers. It is important to note, however, that investors and suppliers are also parts of firms' market environment because they could also vote with their dollars to reward or to punish firms for their environmental performance. Investors could reward firms with superior environmental records (as a proxy for less risk), especially in pollution-intensive industries such as petroleum and chemicals, by investing in them. This is underscored by the introduction of retrospective liability for land/water contamination – the Superfund legislation in the United States, the Brittany oil spill and the recent pollution of the Danube being eloquent examples. For similar reasons, insurance companies could reduce premiums for firms that have superior environmental records and well functioning environmental management systems (Schmidheiny and Zorraquin, 1996). Thus, in addition to consumer pressure (especially if green attributes are viewed as motivating factors), other elements in the market environment may create incentives for firms to adopt green marketing strategies. And, as discussed below, such reasons may emanate from the nonmarket environments as well.

Stakeholder and institutional pressures

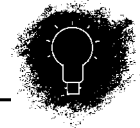
Firms may choose to adopt green marketing strategies due to normative reasons and pressures from their nonmarket environment. Neoclassical economists, including environmental economists, view maximizing shareholders' wealth as the social objective of firms

[4] Needless to say, these private costs had hitherto been externalized as social costs.

[5] Most consumers/citizens are also unwilling to bear *direct* costs for supporting environmental causes: less than 10% of Americans *directly* participate in pro-environment actions such as making financial contributions to environmental groups (Berger and Kantekar, 1995).

[6] For a review of literature on consumer skepticism towards environmental claims see Mohr *et al.* (1998). The authors distinguish between skepticism (disbelief about the substance of communication) and cynicism (disbelief abut the content as well as the motives of the communicator). They suggest that consumer skepticism can be reduced by appropriate business and public policy responses.

Copyright © 2002 John Wiley & Sons, Ltd and ERP Environment



(Friedman, 1970). In contrast, institutional theory focuses on the impacts of nonmarket institutions on firms' policies (Hoffman, 1997). It suggests that firms are not always profit maximizers; their policies often reflect external pressures for legitimacy. To win the trust of external institutions, firms could have a compelling rationale to green their products/policies and to provide adequate and verifiable information to consumers on these subjects.

The literatures on corporate social performance (CSP), responsibility (CSR1) and responsiveness (CSR2) also argue that firms have societal responsibilities that may or may not reinforce the profit objective (Wood and Jones, 1995). Firms green their products/policies because they wish to be socially responsible – these are the 'right or ethical things to do'. Such policies may or may not generate quantifiable profits in the short run. However, in the long run, socially responsible policies could have economic payoffs (Hart and Ahuja, 1997).

Similarly, stakeholder theory suggests that firms should (and often do) design policies that take into account the preferences of multiple stakeholders – stakeholders being 'any group or individual who can affect or is affected by the achievement of the organization's objectives' (Freeman, 1984, p. 46). Thus, firms will green their products/policies/processes and disclose adequate and credible information, if 'key' stakeholders, internal or external, demand it (on classifying stakeholders on power, legitimacy and urgency dimensions, see Mitchell *et al.*, 1997).

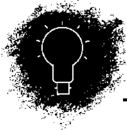
In this context, Menon and Menon (1997, p. 54) suggest that firms could adopt *enviroprenuerial* marketing strategies: the processes for 'formulating and implementing entrepreneurial and environmentally beneficial marketing activities with the goal of creating revenue by providing exchanges that satisfy firms economic and social objectives'. As pointed out by other scholars, incorporating environmental concerns into mainstream strategy may not be possible if decisions are based solely on economic criteria (Vardarajan, 1992; Drumwright, 1994). Thus, managers need to adopt an entrepreneurial approach that relies on noneconomic criteria as well as highlighting stakeholder and institutional pressures.

An important strategic reason for green marketing is that it could help firms to pre-empt command-and-control regulations that often hurt their profits (Fri, 1992), and enable them to shape future regulations, thereby reaping first-mover advantages. Championing stringent product and process standards will be attractive to technologically advanced firms since they could claim to be virtuous, and at the same time, raise rivals' cost of entry – the assumption being that higher standards will lead to stringent regulations (Barrett, 1991; Salop and Scheffman, 1983). Toward this end, firms could rally support from key stakeholders that are often anti-business, the alliance between 'Baptists and the Bootleggers', as Vogel (1995) puts it. Thus, firms pursuing economic objectives could strategically employ institutional, stakeholder and/or CSP arguments for adopting green marketing.

Collective action dilemmas

So far, the paper has examined pressures/incentives emanating from market and nonmarket to adopt green marketing strategies. To understand why and how firms respond to these pressures and incentives, it is instructive to examine the net excludable gains from green policies. It seems that firms may be less inclined to green their systems, processes or products if the benefits are nonexcludable. In examining this assertion, it is useful to draw upon the political economy literature on 'collective action dilemmas' – the divergence between individual and collectively rational behavior leading to sub-optimal outcomes both for the individual actors and the collectivity – how they arise, and how they could be overcome. Political economists assume that actors, whether consumers, firms, regulators or other stakeholders, seek to maximize net

Copyright © 2002 John Wiley & Sons, Ltd and ERP Environment



excludable benefits accruing to them from any action. It follows then if benefits from a policy are nonexcludable, actors have few incentives to contribute to its provision. Since most individuals have a similar calculus, collective endeavors with nonexcludable benefits are impeded (Hardin, 1968; Olson, 1965).

In the context of green marketing, collective action dilemmas occur at the firm as well as the consumer level. Most environmental benefits created by green firms are in the form of nonexcludable positive externalities. Greening products/policies, however, is often expensive, entailing direct *private* costs. With nonexcludable benefits but direct private costs, firms require compelling reasons to pursue such policies. Green marketing offers a route to overcome these dilemmas. If firms could price green products at a premium (and the price elasticities are less than unity), they transform environmental benefits from nonexcludable externalities to excludable monetary benefits. Thus, green marketing allows firms to encash and internalize the reputational benefits for their environmental stewardship or the environmental attributes of their products.

Then why do firms not always adopt this route *en masse*[7]? One reason is that premium pricing strategies transfer firm-level collective action dilemmas to consumers. Rational customers often want the benefits of a cleaner environment (from which they cannot be excluded) without *directly* paying for them. If such 'defections' are widespread, markets for premium-priced green products remain small, and firms have few economic incentives to green their products/policies. Of course, if firms can offer green products at no additional costs, and if such products are not perceived by consumers as inferior in quality or performance, collective action dilemmas will not occur. Similarly, if firms can add green attributes to a product at low costs, they may gain competitive advantage. However, as discussed previously, it seems that for most industries, especially once the 'low hanging fruit' has been harvested, greening policies/products is expensive within the *extant* regulatory and institutional contexts.

Firms can also tackle collective action dilemmas by seeking formal regulations that impose similar costs on their competitors. They could establish industry-level codes for the same purpose. These strategies, however, may not provide a competitive advantage to a given firm, since its competitors in a given category could be forced to adopt similar policies. Firms could, however, gain first-mover advantages if they correctly anticipate or influence such regulations, adopt them earlier than others and manage to reduce costs or to occupy a market niche, a point that has been made previously in the environmental economics literature.

In sum, firms may or may not have sufficient incentives for adopting green marketing strategies. These incentives and disincentives can arise from both their market and nonmarket environments. Building on this discussion, the next section examines key issues involved in developing green marketing strategies.

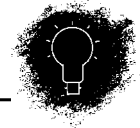
GREEN MARKETING STRATEGIES

Marketing literature on greening products/firms builds on both the societal and social marketing research. Societal marketing implies that organizations (governments, businesses and nonprofits) need to determine the needs of target markets and to deliver the desired satisfactions in a way that enhances the consumer's and *the society's well being*. Social marketing focuses on designing and implementing programs that *increase the acceptability of a social idea, cause, or practice* in (a) target group(s) (Kotler, 1994).

Traditionally, marketers focus on individual needs for designing/marketing products to

[7] In some instances, firms adopt collective strategies such as collective advertising campaigns. Conceptualizing such collective strategies as club goods, I have examined conditions under which firms can be expected to pursue such collective strategies (Prakash, 2000b).

Copyright © 2002 John Wiley & Sons, Ltd and ERP Environment



best serve these needs. This approach is predicated on two assumptions. First, individuals are motivated by the promise that products will satisfy their needs at outlays acceptable to them. Second, individual actions do not have significant externalities (the divergence between public and private costs/benefits), positive or negative. The presence of externalities often instigates actions from the nonmarket environment, mainly in the form of governmental regulations.

Unlike traditional marketers, social and societal marketers seek to persuade consumers to alter their behaviors that have significant externalities. However, these behavioral modifications may not directly/sufficiently benefit consumers or the benefits may also be nonexcludable. In addition, social marketing literature suggests that consumers' incentives may be eroded if they believe that their actions *alone* may not enhance the community's welfare (Weiner and Doescher, 1991). Thus, the challenges for social/societal marketers are complex. Three such challenges – the role of incentives and structural factors, information disclosure strategies and greening products versus greening firms – are examined below.

The role of incentives and structural factors

Drawing insights from the political economy literature discussed previously, marketing literature debates the relative efficacy of individual-level sacrifices (direct costs) versus collective sacrifices (indirect costs). Instead of individual-level sacrifices (paying a premium for green products or altering life styles to lessen the burden on the environment), from which consumers can opt out, some social marketers favor collective sacrifices or indirect costs, from which individuals cannot opt out (Weiner, 1993). It is predicted that by providing new institutional contexts, such collective sacrifices will persuade consumers to change their lifestyles. If the objective is to reduce emissions of greenhouse gases, collective sacrifices could be manifest as higher taxes (energy tax), stringent standards (residential building codes, automobile fuel efficiency standards) or some other collective restrictions that impose costs on or potentially change lifestyles of many people. In addition to mitigating collective action dilemmas, collective sacrifices provide consumers with greater levels of confidence that their actions will make a difference.

One must note, however, that opting out from individual-level sacrifices may not be the only way for consumers to express their preferences. As the public policy literature suggests, individuals signal their preferences for a policy through 'exit, voice, and loyalty' (Hirschman, 1970). If they cannot 'exit' due to the imposition of collective sacrifices, consumers may seek to voice their preferences in the nonmarket arenas (see the previous discussion on stakeholder and institutional theories). They could, for example, undertake political activity to shift the burden of sacrifices to firms. In some cases, they may even oppose the imposition of collective sacrifices (Vogel, 1996).

Marketing literature also examines the relative salience of consumers' attributes and structural parameters (market environment, social norms and institutions) in inducing environment-friendly behavior. There is also a debate on the relative efficacy of economic and noneconomic factors in inducing behavioral changes. In their review of the literature on recycling, Derksen and Gartrell (1993) argue that demographic variables show little association with recycling behavior and the social context is the key determinant: people having access to recycling programs exhibit higher levels of recycling than those not having such access. Individuals' attitudes towards recycling cannot overcome structural barriers; attitudes impact behaviors only if individuals have easy access to recycling programs (De Young, 1988–89). This, however, begs the question: why do only some communities have recycling programs? If public policies reflect (at least, partially) citizens' preferences, then citizens have some degree of influence over policies such as recycling programs. Thus, structures

Copyright © 2002 John Wiley & Sons, Ltd and ERP Environment

(public policies) are not entirely exogenous to consumers/citizens. As the reader will note, the politics of public policy processes enters our discussion on green marketing.

In examining the role of financial incentives in inducing consumers to support green products, energy policy literature offers useful insights. Much of the research on energy conservation dates back to the 1970s, when energy shortages emerged as a major business strategy and public policy issue in the wake of 1973 and 1979 oil crises. This literature seeks to understand how much energy consumers use, how they use it and how they can be motivated to conserve energy (Ritchie and McDougall, 1985). These questions can be generalized to other aspects of green marketing. While some suggest that consumers are motivated to conserve energy primarily due to economic incentives/disincentives (McClelland and Canter, 1981; O'Brien and Zoumbaris, 1993), others emphasize noneconomic factors (Black *et al.*, 1985; Kempton *et al.*, 1992). The impact of economic incentives/disincentives varies across income brackets. For upper income levels, energy use is relatively price inelastic (economic incentives/disincentives are less efficacious) because they spend only a small percentage of their income on energy. Savings offered by energy-efficient appliances also may not motivate them to replace their extant well-functioning, but energy-inefficient, appliances. Even when consumers are motivated to conserve energy, they may not replace appliances or change their behaviors due to inconvenience and/or inertia. A similar point about green attitudes not translating into green behaviors was made in the introduction to this paper.

Analogously, green marketing can be conceptualized as a three-pronged exercise. Consumers can be motivated to curtail (reduce the impact on the environment by modifying extant living patterns), to maintain (keep equipment in good working order) and to be efficient (undertake structural changes such as buying environment-friendly equipment). Marketers need to correctly identify consumers' propensities for the three routes at different value/price levels and accordingly design/market their products.

Information disclosures

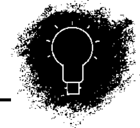
Green marketing could be viewed as a subset of information disclosure strategies available to both managers and policymakers. Such disclosures can take place at the industry level (industry codes), firm level (annual environmental reports), the facility level (TRI program) and/or the product level (labels).

Information disclosures could be voluntary (perhaps in response to market and/or nonmarket pressures) and/or required by law. Mandatory disclosures seek to ensure that adequate and standardized information is available to stakeholders/consumers, who then have the opportunities to compare the levels and the quality of greenness across products/firms. Firms could seek to increase the credibility of disclosed information through internal, second-party or third-party audits. Thus, firms often have choices regarding what to disclose[8], how to disclose and how to improve the information's credibility.

Consumers require information to make informed choices. A lack of information could inhibit or discourage them from incorporating green attributes in their purchase decisions. Information also needs to be comprehensible. If consumers do not adequately understand firms' claims, they may over-react or under-react to the greenness of products/firms. Although consumers may not have access to such information or understand its implications (Menell, 1995), the media and the various external stakeholders often widely disseminate information and interpret its implications, thereby putting pressure on firms to

[8] Ideally, firms should be required to disclose full information about benefits and costs, including externalized costs. Because firms are unlikely to do this on their own, public policy intervention may be required.

Copyright © 2002 John Wiley & Sons, Ltd and ERP Environment



reduce pollution and to adopt green policies. Thus, firms should evaluate whether to support/oppose stakeholders that are simplifying and conveying information about the greenness of their policies/products. If the targeted consumers view greenness as 'motivating' variables, firms should develop alliances with stakeholders for wider dissemination of information.

Having decided to provide comprehensible information, firms face yet another challenge: consumers must perceive information as being credible. As a reference, many view industry as the least reliable source of information on environmental issues (Ottman, 1992; Stisser, 1994). An alarming 47% of consumers dismiss environmental claims as gimmicks (Fierman, 1991). Some scholars already detect a consumer backlash to environmental marketing due to false, unsubstantiated or exaggerated claims (Carlson *et al.*, 1993). Further, as the number of environmental claims proliferates, the levels of consumer skepticism seem to increase (Ellen *et al.*, 1991). This is alarming news for firms who can gain competitive advantages by being greener than competitors.

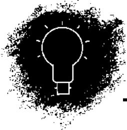
To add to firms' woes, some environmental groups closely examine firms' claims. Greenpeace (1994), for example, issues reports identifying companies that make false or exaggerated environmental claims. The federal and state governments also regulate what claims are permissible and have sanctioned many firms (Brown and Wahlers, 1998). In this context, eco-labels can serve as useful vehicles for green marketing. At least 25 countries have government-sponsored, third-party eco-labeling programs. Prominent ones include Germany's Blue Angel, Japan's Eco-Mark, Scandinavia's Nordic Label and the United States' Green Seal and Scientific Certification Systems. However, the usefulness of eco-labels versus other information disclosure strategies is questioned. Menell (1995) argues that *if* governmental regulations can force firms to internalize most environmental externalities, then the price mechanism is a more institutionally sound mechanism for information provision than eco-labeling on three grounds: comprehensibility (consumers can understand price information more easily), universality (enables consumers to compare across a broad range of alternatives) and prioritization (better enables consumers to prioritize environmental attributes over other attributes) (for an opposing view, see Peattie, 1999).

Greening products versus greening firms

This paper has discussed whether and how information on greenness impacts consumer decision making. This assumes that consumers purchase products primarily based on products' attributes. However, in some other cases, firm-level attributes (greenness of processes and systems) may be important for developing promotional strategies. Perhaps consumers want green products from green firms. From a managerial perspective, if brand attributes are more salient, firms should invest in greening products, but if corporate images are more important, focusing on firm-level processes/systems is desirable (Prakash, 2000a).

Consumer goods companies, such as General Mills, Unilever, and Procter and Gamble, focus their communication on their brands and the benefits they deliver. This paper is not arguing that such brand-focused firms ignore their corporate image. They do not. However, such firms focus their communication on highlighting brand attributes and how these attributes satisfy consumer needs. The advertising of Procter and Gamble highlights the superior cleaning performance of Tide, the freshness of Ivory soap or the beauty-enhancing effect of Oil of Olay. Most consumers probably do not link these brands to Procter and Gamble. Hence, for firms that focus on communicating brand attributes, product greening is the desirable strategy. This enables them to leverage their brand names, linking the products' green attributes to consumer needs.

Copyright © 2002 John Wiley & Sons, Ltd and ERP Environment



Firms focusing on corporate advertising or having generic brand names across products (such as Sony) have incentives to green their processes/systems (firm-level greening) and to communicate their corporate commitment to environmental stewardship. This enables them to tap into economies of scale in advertising. Of course, a reliance on corporate advertising would require an integrated organizational approach to greening processes/systems as well. Firm- and product-level greening, however, are not mutually exclusive. Most firms perhaps invest in both. Nevertheless, in terms of their relative salience, a distinction between brand-focused and firm-focused greening strategies is important[9].

In summary, this section has identified key challenges for green marketers. These involve what to green (product versus processes/systems), the pros and cons of imposing individual versus collective sacrifices on consumers, the role of economic and noneconomic factors in influencing consumer behavior and what kinds of information disclosure strategy to adopt.

MANAGERIAL IMPLICATIONS

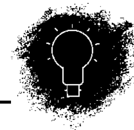
Green marketing subsumes greening products as well as greening firms. Though normative concerns impact consumers' and firms' decision making, economic aspects of green marketing should not be neglected. Managers need to identify what ought to be greened: systems, processes or products? Consumer apathy to green products is due to many factors, including inadequate information about levels of greenness, lack of credibility of firms' claims and the tendency to free ride. It also seems that green products that offer direct excludable benefits to consumers (such as pharmaceuticals with minimum side effect and nutritious and natural foods) would have higher acceptability. Consumer apathy may also be attributed to the belief that individual actions alone cannot impact the macro picture, and collective endeavors are impeded by free riding.

To tackle these market-related problems, perhaps initiatives in the nonmarket environment may bear fruit. To curb free riding and to reassure consumers that their actions will have macro impact, some green marketers favor policies/regulations that lead to collective sacrifices. This leads to another set of challenges, because environmental issues are often highly contested in terms of their etiologies and solutions. Many such disputes are attributable to ideological and economic factors. To some, collective sacrifices signify intrusive big government and side-stepping individual responsibility. Economic considerations are even more complex. There is a rich literature in public policy on how the distribution of benefits and costs impacts policy processes and what types of political strategy are appropriate in different contexts (Lowi, 1964; Wilson, 1980). Actors may favor the *status quo* if the proposed collective sacrifice imposes costs on them. If the benefits are diffused, policy supporters could have difficulties in mobilizing winning coalitions. On the other hand, with concentrated benefits and diffused costs, mobilizing winning coalitions to support collective sacrifices is easier. When both benefits and costs are concentrated or diffused, the outcomes are difficult to predict. As this discussion suggests, the tasks of green marketers who favor collective sacrifices as vehicles for achieving their objectives are complicated by the politics of the nonmarket environment (Kollman and Prakash, 2001).

Information provision about greenness is a key component of green marketing. Clearly, firms should not advertise products' environmental benefits unless such claims can be credibly substantiated. Negative press reports on false or exaggerated claims often lead to decreased sales (Polonsky, 1995). Firms can

[9] It can also be argued that while green marketing initiatives are linked to specific product improvements, corporate-level initiatives are linked to the overall management of the firm's reputation. Thus, in some ways, green marketing at the corporate level overlaps with the strategic management function.

Copyright © 2002 John Wiley & Sons, Ltd and ERP Environment



also form strategic alliances, including product endorsements and corporate sponsorships from environmental groups that provide credibility to their environmental claims (Mendleson and Polonsky, 1995). Further, firms willing to provide clear, comprehensive and credible information must ensure that consumers have low-cost access to it. Again, governmental policies and stakeholder initiatives can be important in reducing consumers' search, information or transaction costs. Regulators can publish it (for example in the Federal Register), disseminate it to the media by press releases and post it on the Internet (see the citations on FTC and EPA websites). Stakeholders can also use the media as well as use their organization-specific vehicles such as newsletters. Finally, if managers believe that consumers view greenness as a motivating variable, they should invest in conveying information through advertising, direct mailing, brand labels, in-store displays and pamphlets.

Our understanding of green marketing is still in its infancy, perhaps due to the multidisciplinary nature of the enterprise. Marketing scholars focus on a host of business strategy and public policy issues, including eco-labels and market segmentation, and the role of structural factors and economic incentives in influencing consumer behavior. For environmental economists, green marketing signifies a broader trend in the evolution of environmental policies that focus on information disclosure. Institutional theory, stakeholder theory and the corporate social performance perspective view green marketing as a subset of corporate policies designed to gain external legitimacy. These have developed in response to the expectations of a broad spectrum of stakeholders, both internal and external. Political economists focus on collective action dilemmas inherent in green marketing at the consumer and producer levels. This paper has identified key ideas in relation to promoting green products that may be most relevant to both scholars and practitioners of green marketing.

REFERENCES

Baron DP. 1995. Integrated strategy: market and nonmarket components. *California Management Review* **37**: 47–65.

Barrett S. 1991. Environmental regulations for competitive advantage. *Business Strategy Review* **2**: 1–15.

Berger IE, Kanetkar V. 1995. Increasing environmental sensitivity via workplace experiences. *Journal of Public Policy and Marketing* **14**: 205–215.

Black JS, Stern PC, Elworth JT. 1985. Personal and contextual influences on household energy adaptations. *Journal of Applied Psychology* **70**: 3–21.

Brown JD, Wahlers RG. 1998. The environmentally concerned consumer: an exploratory study. *Journal of Marketing Theory and Practice* **6**: 39–47.

Carlson L, Stephen JG, Kangun N. 1993. A content analysis of environmental advertising claims: a matrix approach. *Journal of Advertising* **22**: 27–40.

Charter M. 1992. *Greener Marketing: a Responsible Approach to Business*. Greenleaf: Sheffield.

Charter M, Polonsky MJ (eds). 1999. *Greener Marketing: a Global Perspective on Greening Marketing Practice*, 2nd edn. Greenleaf: Sheffield.

Coddington W. 1993. *Environmental Marketing: Positive Strategies for Reaching the Green Consumer*. McGraw-Hill: New York.

Davis JJ. 1993. Strategies for environmental advertising. *Journal of Consumer Marketing* **10**: 19–36.

Derksen L, Gartrell J. 1993. The social context of recycling. *American Sociological Review* **58**: 434–442.

De Young R. 1988–89. Exploring differences between recyclers and non-recyclers: the role of information. *Journal of Environmental Systems* **18**: 431–351.

Drumwright ME. 1994. Socially responsible organizational buying: environmental concerns as a noneconomic buying criterion. *Journal of Marketing* **58**: 1–19.

Ellen P, Weiner JL, Cobb-Walgren C. 1991. The role of perceived consumer effectiveness in motivating environmentally-conscious behavior. *Journal of Public Policy and Marketing* **10**: 102–117.

Fierman L. 1991. Procter and Gamble zeros in on green. *American Demographics* July: 16.

Fisk G. 1974. *Marketing and the Ecological Crisis*. Harper and Row: London.

Freeman RE. 1984. *Strategic Management: a Stakeholder Approach*. Pitman: Boston, MA.

Fri RW. 1992. The corporation as a non-governmental organization. *The Columbia Journal of World Business* **27**: 91–95.

Friedman M. 1970. The social responsibility of business is to increase its profits. *New York Times Magazine* 13 September: 32–33, 122–126.

Copyright © 2002 John Wiley & Sons, Ltd and ERP Environment

Fuller D. 1999. *Sustainable Marketing: Managerial–Ecological Issues*. Sage: Thousand Oaks, CA.

Greenpeace. 1994. *The Greenpeace Book of Greenwash*. Greenpeace International: Amsterdam.

Hansen E. 1997. Forest certification. *Forest Products Journal* **47**: 16–22.

Hardin G. 1968. The tragedy of the commons. *Science* **162**: 1243–1248.

Hart SL, Ahuja G. 1997. Does it pay to be green? *Business Strategy and the Environment* **5**: 31–37.

Henion KE, Kinnear TC (eds). 1976. *Ecological Marketing*. American Marketing Association: Chicago, IL.

Herzberg F. 1966. *Work and the Nature of Man*. World: Cleveland, OH.

Hirschman AO. 1970. *Exit, Voice, Loyalty*. Harvard University Press: Cambridge, MA.

Hoffman AJ. 1997. *From Heresy to Dogma*. New Lexington: San Francisco, CA.

Kempton W, Darley JM, Stern PC. 1992. Psychological research for the new energy problems. *American Psychologist* **47**: 1213–1223.

Kollman K, Prakash A. 2001. Green by choice?: cross-national variations in firms' responses to EMS-based environmental regimes. *World Politics* **53**: 399–430.

Kotler P. 1994. *Marketing Management: Analysis, Planning, Implementation and Control* 8th edn. Prentice-Hall: Englewood Cliffs, NJ.

Lowi T. 1964. American business, public policy, case studies, and political theory. *World Politics* **16**: 677–715.

Maslow AH. 1943. A theory of human motivation. *Psychology Review* July: 370–396.

McClelland L, Canter RJ. 1981. Psychological research on energy conservation: context, approaches, methods. In *Advances in Environmental Psychology*, Baum A, Singer JE (eds). Erlbaum: Hillsdale, NJ; 1–26.

McGuire WJ. 1985. Attitudes and attitude change. In *Handbook of Social Psychology*, Lindzey G, Aronson E (eds). Random: New York; 233–346.

Mendleson N, Polonsky MJ. 1995. Using strategic alliances to develop credible green marketing. *Journal of Consumer Marketing* **12**: 4–18.

Menell PS. 1995. Structuring a market-oriented federal eco-information policy. *Maryland Law Review* **54**: 1435–1474.

Menon A, Menon A. 1997. Enviropreneurial marketing strategy: the emergence of corporate environmentalism as market strategy. *Journal of Marketing* **61**: 51–67.

Mitchell RK, Agle BR, Wood DJ. 1997. Towards a theory of stakeholder salience. *Academy of Management Review* **22**: 853–886.

Mohr LA, Eroglu D, Ellen PS. 1998. The development and testing of a measure of skepticism towards environmental claims in marketers' communications. *Journal of Consumer Affairs* **32**: 30–55.

O'Brien TP, Zoumbaris SJ. 1993. Consumption behaviors hinge on financial self-interest. *American Psychologist* **48**: 1091–1092.

Olson M. 1965. *The Logic of Collective Action*. Harvard University Press: Cambridge, MA.

Osterhus TL. 1997. Pro-social consumer influence strategies: when and how do they work? *Journal of Marketing* **61**: 16–29.

Ottman J. 1992. *Greener Marketing*. NTC: Lincolnwood, IL.

Ottman J. 1996. Green consumers not consumed by eco-anxiety. *Marketing News* **30**: 13.

Peattie K. 1995. *Environmental Marketing Management*. Pitman: London.

Peattie K. 1999. Rethinking marketing. In *Greener Marketing* 2nd edn, Charter M, Polonsky MJ (eds). Sheffield; 57–70.

Peattie K, Ratnayaka M. 1992. Responding to green movement. *Industrial Marketing Management* **21**: 103–110.

Phillips LE. 1999. Green attitudes. *American Demographics* **21**: 46–47.

Polonsky MJ. 1995. Cleaning up environmental marketing claims: a practical checklist. In *Environmental Marketing*, Polonsky MJ, Mintu-Wimsatt AT (eds). Haworth: Binghamton, NY; 199–223.

Porter ME, Van der Linde C. 1995. Toward a new conception of the environment–competitiveness relationship. *Journal of Economic Perspectives* **9**: 97–118.

Prakash A. 2000a. *Greening the Firm: the Politics of Corporate Environmentalism*. Cambridge University Press: Cambridge.

Prakash A. 2000b. Responsible Care: an assessment. *Business and Society* **39**: 183–209.

Ritchie JRB, McDougall GHG. 1985. Designing and marketing energy conservation policies and programs. *Journal of Public Policy and Marketing* **4**: 14–32.

Rugman A, Verbeke A. 2000. Environmental regulations and the global strategies of multinational enterprises. In *Coping with Globalization*, Prakash A, Hart JA (eds). Routledge: London; 77–93.

Salop SC, Scheffman DT. 1983. Raising rivals' costs. *American Economic Review* **73**: 267–271.

Schmidheiny S, Zorraquin FJL. 1996. *Financing Change*. MIT Press: Cambridge, MA.

Stisser P. 1994. A deeper shade of green. *American Demographics* **16**: 24–29.

Vardarajan PR. 1992. Marketing's contribution to strategy: the view from a different looking glass. *Journal of the Academy of Marketing Science* **20**: 323–343.

Vogel D. 1995. *Trading Up: Consumer and Environmental Regulation in a Global Economy*. Harvard University Press: Cambridge, MA.

Copyright © 2002 John Wiley & Sons, Ltd and ERP Environment

Vogel D. 1996. *Kindred Strangers: the Uneasy Relationship between Politics and Business in America*. Princeton University Press: Princeton, NJ.

Walley N, Whitehead B. 1994. It's not easy being green. *Harvard Business Review* May-June: 46–51.

Weiner JL. 1993. What makes people sacrifice their freedom for the good of their community? *Journal of Public Policy and Marketing* **12**: 244–260.

Weiner JL, Doescher. 1991. A framework for promoting cooperation. *Journal of Marketing* **55**: 387.

Wilson JQ. 1980. *The Politics of Regulation*. Basic Books: New York.

Wood DJ, Jones RE. 1995. Stakeholder mismatching: a theoretical problem in empirical research on corporate social performance. *The International Journal of Organizational Analysis* **3**: 229–267.

BIOGRAPHY

Aseem Prakash is currently Assistant Professor of Political Science at the University of Washington – Seattle, Box 353530, Seattle, WA 98195-3530, USA.
Tel.: +1 206-543-9842.
Fax: +1 206-685-2146.
Email address: aseem@u.washington.edu
He was previously Assistant Professor at the Department of Strategic Management and Public Policy, School of Business and Public Management, The George Washington University, USA.

Copyright © 2002 John Wiley & Sons, Ltd and ERP Environment