

Sustainability and the Marketplace: Products, Markets and New Marketing Approaches Working Group

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Purpose of Project

What would be required to connect customers' purchasing decisions today with a sense of the future they want to create for their grandchildren? How can we in SoL move in concert towards that vision?

We are using several case studies provided by project participants to investigate how companies are currently making sense of and connecting with their customers and other stakeholders. It is our hope that understanding the case stories provides a generative backdrop for creating collaborative action-research projects.

The case studies focus on marketing “sustainable” or “green” product attributes. For this project, marketing is defined as any form of communicating with customers directly or via another stakeholder that conveys the company’s message of its sustainability activities and their benefits. In recognition of the diversity of participating companies, “customer” is defined as retail consumer and business-to-business customer.

Some Overarching Questions

These are some of the overarching questions that we have heard project participants articulate.

Making the **business case/project drivers** (internal and external)

1. From Unilever: How do we quantify and measure the value to business that is created (both short and long term) by sustainability projects?
2. From Pratt & Whitney: How do companies create the internal case with management for developing green products and services? When is it appropriate to say “it is the right thing to do,” or “we can make some money here,” or “we need to change what we are offering the market to ensure the survivability of our industry?”
3. From Harley-Davidson: Should we prove first that sustainability is profitable and act from there, or should we commit to sustainability and then figure out how to make it profitable? The first frames sustainability within the current business model, and the second may mean creating new business models.

Product Development

1. How do we create product development processes that engage new external stakeholders like NGOs or government regulators as partners in the design process?

Promoting and communicating green or sustainable attributes of products and **educating customers** about environmentally preferable behavior

1. Which government and NGO stakeholders (such as consumer advocacy organizations, environmental activists and educators, or governments in charge of eco-labeling and eco-awards) can help carry a company's sustainability message to their constituents and help create markets?
2. From Pratt & Whitney: Does the internal motivation (driver) for moving forward with green product or service development affect how companies market their product and communicate externally?
3. From Harley-Davidson: How does a company decide if it should tell its stakeholders (customers, employees, investors, suppliers, its host community, government regulators, competitors, and the public at large) about its sustainability activities, or just proceed with its activities quietly? This question is especially relevant when there is a perception that telling certain stakeholders may not create a competitive advantage and may in fact be the opposite.

Working with supply chains, competitors, and other stakeholders such as NGOs, governments, investors, customers to influence the **values that drive markets**, and **lead markets and customers** to expect and demand greener products and services

1. When does it make sense to collaborate with other stakeholders like NGOs, governments, industry groups, or educators to communicate with potential customers about environmental issues that are addressed by individual companies' products and services? (E.g. Educating the public about the dangers of PVC so a more receptive market is created for PVC-free materials)
2. Do we need to do more research on how companies have created customer demand for green products and services?
3. How can we create new relationships with government to encourage business to shift from compliance, and incremental and process improvements using the best available technology, to innovation—radically increasing resource and energy efficiency and closing waste loops?

4. In what ways can we collaborate with NGOs, governments, competitors and/or suppliers to create market conditions for sustainable technologies, e.g., remove subsidies and cost externalities to level the playing field?
5. How can we mobilize individual consumers en masse through a multi-faceted effort to support specific sustainable purchasing of sustainable products and behaviors (a pro-cott)?

Project Phases I and II

Phase I of the project collected preliminary information on companies' marketing activities in a series of interviews conducted from August through October 2002. The preliminary results were presented at the SoL meeting in Washington, D.C. in late October 2002.

In November 2002, the Products and Markets working group proposed the following for Phase II of the project:

- In order to better understand how companies are communicating with their customers and other stakeholders, develop four to six case studies on product marketing strategies, and begin steps towards collaborative action projects.
- Focus on learning about non-traditional ways of marketing sustainable product attributes to consumers (those that go beyond traditional methods like advertising, promotion, and labeling).
- These marketing/communications strategies will include but will not be limited to avenues such as advertising, PR, promotion, labeling, and consumer education.
- Within each case, highlight learnings around the role of various stakeholders in communicating with customers. Such stakeholders can include employees, NGOs, suppliers, government/regulators, competitors, investors, media, educators, and community groups.
- We will start with stories provided by the participants, and as necessary and appropriate, expand out to stories from other companies whose marketing successes we admire.

The Cases* See Appendix I for a brief description of each case

- Harley Davidson Motorcycles - Upgradability/ Remanufacturing Capability
- Nike PVC-free Footwear
- Nike Organic Cotton Initiative
- Plug Power Natural Gas Prime Power Fuel Cell Tech Demo Unit
- Unilever/ Industry Washright Campaign (Consumer Education Initiative)
- Unilever/ Sustainable Fisheries/Marine Stewardship Council (Certification Initiative)
- UTC/Pratt & Whitney: Ultra High Pressure Water Jet Cleaning System
- UTC/ Carrier R-410A Refrigerant trademarked as “Puron”

Key Themes that emerged

- I. Making the **business case/project drivers** (internal and external)
- II. **Promoting and communicating** green or sustainable attributes of products and **educating customers** about environmentally preferable behavior
- III. Working with supply chains, competitors, and other stakeholders such as NGOs, governments, investors, customers to influence the **values that drive markets**, and **lead markets and customers** to expect and demand greener products and services

I. Making the business case/project drivers (internal and external)

Key finding: Beyond addressing exigencies of sustainability, participant companies are primarily driven by positive opportunities to lead their industry and/or create competitive advantage through new markets and technologies.

Key drivers cluster in three main areas:

- 1) **Stay in business/ensure high quality supply of raw material**
- 2) **Pro-active response to long term environmental threat (and potential for backlash)/Avoid regulations**
- 3) **Reinforce industry leadership and quality of product; Build positive reputation; Substantiate premium pricing**
 - Nike Organics
 - Nike PVC-free

- Unilever Washright Campaign
- Unilever Marine Stewardship Council

4) Create competitive advantage in new markets and/or with new technologies and be first to market

- Plug Power
- UTC UHPW jet
- Carrier Puron

5) Develop a long term relationship with customers based on the lifestyle orientation of the company's products

- Harley-Davidson upgradeable/remanufacturable bikes (Harley bikes actually increase in value over time!)

II. Promoting and communicating green or sustainable attributes of products and educating customers about environmentally preferable behavior

🍏 Key finding: Participant companies position their greener offering as providing or reinforcing superior performance/quality.

1) Positioning the product in the marketplace

- Puron refrigerant from Carrier: Superior refrigerant based on proprietary trademarked brand name and established trust in that brand; reinforced quality when linked with high efficiency models.
- UTC Water Jet: Superior technology for removing paint/coatings in aerospace applications (Less damage to substrate, more economical, faster; environmental benefits secondary.)
- Nike Organics: Reinforcement of fitness theme
- Nike PVC-free shoes: Health and environmental benefits
- PW UHPW Jet: An alternative to acid chemicals/regulated solvents with improved quality/cost and turnaround time
- Harley-Davidson Motorcycles: Superior quality bikes with unlimited potential to upgrade, personalize and maintain over time
- Marine Stewardship Council: Trusted mark identifying sustainably sourced fish products

- Washright Campaign: Trusted mark identifying manufacturers who are helping reduce impacts directly through their own products and processes as well as by educating consumers on wise use practices

2) Defining the target audience

- Carrier: higher-end consumers, including those willing to pay a premium for products that include green benefits.
- UTC: aerospace markets who can benefit from superior technology. They also target companies known to be proactively addressing green issues.
- Nike Organics Collection: fitness-oriented women.
- PW UHPW Jet: companies looking to reduce waste.
- Plug: customers looking for renewable, distributed, or backup power.
- Nike PVC-free, Unilever Washright and Sustainable Fish campaigns, and Harley-Davidson: mainstream customers

3) Role of green benefits

Key finding: Consistent with strategies to link greenness to overall quality, participant companies link greenness to primary, or secondary benefits.

- Link to **primary customer benefits**
 - Puron: Easier long term maintenance (products with Puron can be serviced after 2010 deadline for removing ozone-depleting refrigerants.)
 - PW UHPW Jet: improved quality/cost and turnaround time.
 - Plug Power :ideal for back up power; a distributed power source; and a less polluting alternative to fossil fuel.
 - Unilever Washright campaign: link to saving energy and water
- Link to **secondary/opportunistic customer benefits**
 - Nike Organics: Consumer focus groups view organic as a “bonus” at the right price but not primary reason for purchase/worth a premium in and of itself.
 - PW UHPW Jet: Environmental benefits are secondary for now, until impacts can be quantified.

- Plug Power: Environmental benefits are a secondary benefit for customers who value distributed/back up energy benefits

Interesting question: Is there a time when sustainability benefits should not be communicated?

4) Lessons on communication methods, and problems or backlash anticipated or experienced when talking publicly about sustainability efforts

🍏 Key findings:

Participant companies looking to market environmentally preferable alternatives to existing products are concerned about backlash from initiatives that others may perceive don't go far enough.

Backlash can come from suppliers as well as consumers and NGOs.

- Nike was concerned that if they told customers about the 5% blended organic effort for all of Nike's cotton garments, people would wonder why it was only 5%. So they decided to talk about the 5% on their website only.
- Unilever decided to advertise the positive things they were doing, rather than the negative things they weren't doing. When you analyze the entire value chain, removing one ingredient may be good, but when you consider the entire life cycle, that action could have a negative impact. So we didn't want to advertise a "no negative" impact, we concentrated on the positive message.
- Unilever will face problems as they will not achieve their targets for sustainable fish by 2005 due to a difficult and slow process of certification
- Nike is holding off further communications on sustainability issues until Kasky case is finalized.
- Nike experienced backlash from PVC suppliers who did not agree with their decision to phase PVC out of their shoes. Nike still had to rely on these suppliers, however, for PVC for their equipment lines, making for a delicate negotiation.
- Harley-Davidson is concerned that a sustainability message would not resonate with their customers, or may even interfere with the brand image.

5) Provide performance reassurance

🍏 Key finding: Performance reassurance is warranted for technical products.

- Puron: ENERGY STAR® linked with high efficiency models
- Plug Power is careful to set up the appropriate customer expectations by positioning its product as a “technology demonstration unit” and develops relationships with customers who are willing to work with them.

6) Communication channels

🍏 Key finding: Communications channels must fit the task at hand.

- Nike generally does not advertise individual products. They tend to promote the brand instead. Nike Organics uses Point of Purchase (POP) materials such as a hangtag insert with the Nike Sustainable Product Mark, that includes links to a website. A Product Content Label indicates the presence of organic content. Nike also uses press releases, and write-ups in consumer publications (articles in Organic Style, etc.) (NOTE: 5% blended product is communicated via website ONLY; only 100% cotton are advertised through POP materials.)
- Nike PVC-free effort used a hangtag, which was not enough to educate customers about the issues surrounding PVC in general, so Nike referred customers to a website. There is still a need for more education around PVC in general. Nike recognizes the need to provide more information and educational tools to their sales force.
- Washright campaign uses TV, print, and logos on packaging to target their mainstream audience.
- MSC Campaign: Unilever points to the MSC website, and information on the Unilever website, uses the MSC logo, and includes information on packaging
- Carrier educated sales force and dealers about ozone layer depletion issues and role of air conditioning equipment containing Puron. Carrier created demand among end customers by also running a separate advertising campaign promoting Puron.
- Unilever communicates largely to its own employees on sustainability. The Global People Survey tracks the results of these communication efforts.

7) Relationship to Corporate image and other product lines

🍏 Key finding: Sustainable product initiatives can cast a positive “halo” over the manufacturer’s entire brand and other product lines.

- The Nike Organics and PVC-free efforts reinforce the corporate commitment to sustainability. Consumer research shows the potential exists for sustainability benefits to cast a positive “halo” over the manufacturer’s entire brand and other product lines. Nike mentions both efforts on their website.
- Unilever discusses both the Sustainable Fish and Washright initiatives on their website. Their goals for corporate social responsibility and transparency are set very high, and they believe sustainability is part of their license to operate.
- Harley is formulating corporate communications strategy about how to talk about sustainability. This is for internal communications *only*.

Interesting question: Is it possible to talk about sustainability benefits with some stakeholders, e.g., investors and not others, e.g., customers?

- UTC is beginning an initiative to create a cohesive strategy for enhancing their brand image with customers, governments, and prospective employees.

III. Working with supply chains, competitors, and other stakeholders such as NGOs, governments, investors, customers to influence the **values that drive markets**, and **lead markets and customers** to expect and demand greener products and services.

🍏 Key finding: Collaboration with various stakeholders is invaluable in developing sustainable product initiatives, spreading the word about these initiatives, and influencing or creating markets. Some of the key benefits participating companies experienced include:

1) Gain access to expertise; help to spread practices industry-wide.

- Unilever created the Marine Stewardship Council, which certifies sustainable fisheries. MSC has certified a number of seafood products across 9 countries. In addition, over 100 major seafood processors, traders, retailers have pledged support. Over 30 fisheries have applied to be assessed against MSC standards.
- Nike is a founder of the Organic Cotton Exchange, which aims to increase the capacity of global organic cotton market. Nike also involved industry competitors: Patagonia, Norm Thompson, etc.

(Sharing best practices re: Organic fiber, materials sourcing), the Organic Trade Association, the Sustainable Cotton Project, and the Organic Cotton Certifiers/Accreditors

- Unilever conducts the Washright Campaign in conjunction with AISE (industry trade association)

2) Alter markets to create competitive advantage

- Carrier supported the Montreal Protocol and helped found the USGBC because they thought they could develop a product that would create competitive advantage

3) Gain access to funding in support of green technologies

- Plug Power looks to take advantage of money set aside for green technology, e.g., System Benefits Charges in deregulated states that their customers can access.

4) Gain credibility and support for sustainability activities

- Nike talked with Greenpeace to communicate their efforts as they progressed with the PVC-free effort. Greenpeace praised their efforts, but there may —or may not have —be a missed opportunity for Nike in not enlisting Greenpeace more overtly.
- Unilever Washright: membership in industry association
- Unilever Sustainable Fish: Marine Stewardship Council label (Unilever worked with WWF to create this independent body to act as certifier.)
- Carrier Puron: ENERGY STAR® logo and founding member of the US Green Building Council
- UHPW Jet: Has worked with advocates for alternative solutions to toxic chemicals, e.g., hexachromium (ad hoc)

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