Marketing of
Sustainable product innovation

- Green Product Marketing; the do’s and the dont’s

Joost Vogtländer, Delft University of Technology

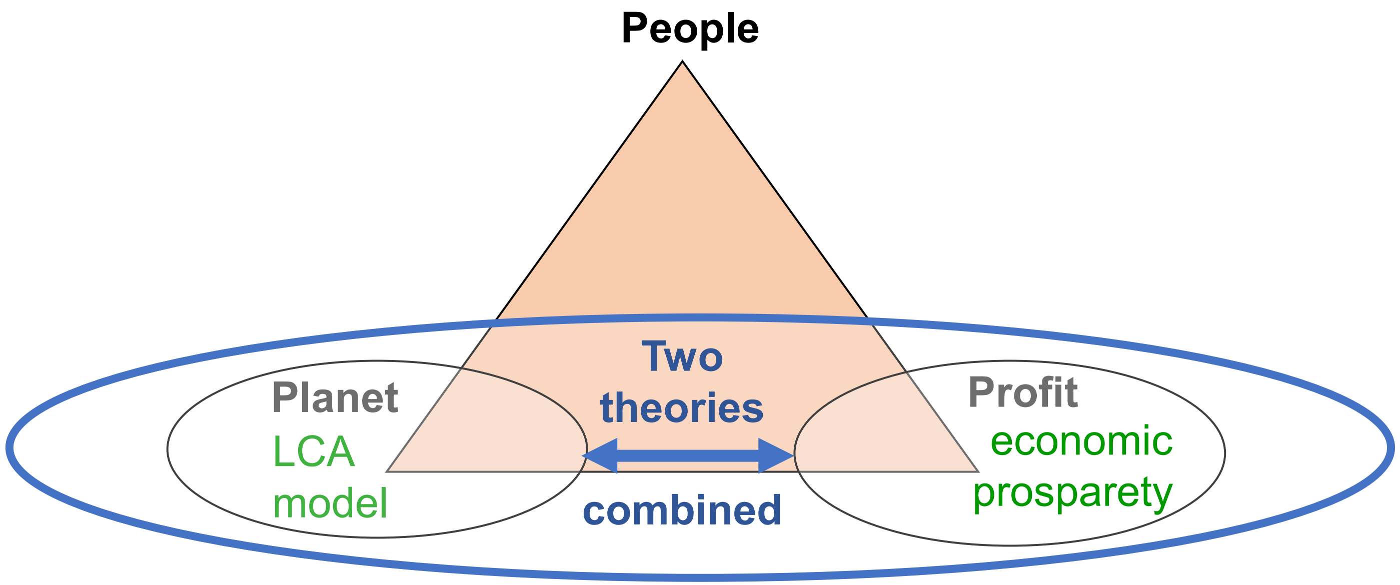
The mission statement of the WBCSD (1995) and The Tripple-P

"The delivery of competitively priced goods and services
that satisfy human needs and bring 'quality of life',

while progressively reducing ecological impacts
and resource intensity, throughout the lifecycle,
to a level at least in line with the earth's
estimated carrying capacity"

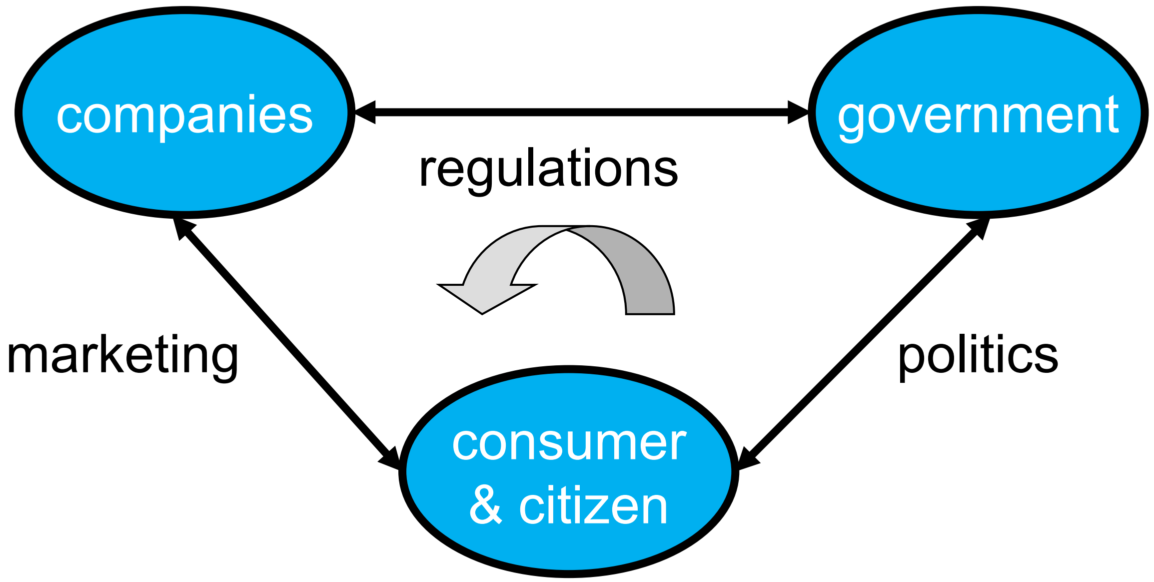
value 'profit'

eco-costs 'planet'



Circular business models and eco-efficient value creation

The 3 stakeholders model:
the main interactions in our society



The road towards sustainability:

1. Clients buy products in shops on the basis of quality/price ratio (sustainability is unimportant in the shop)

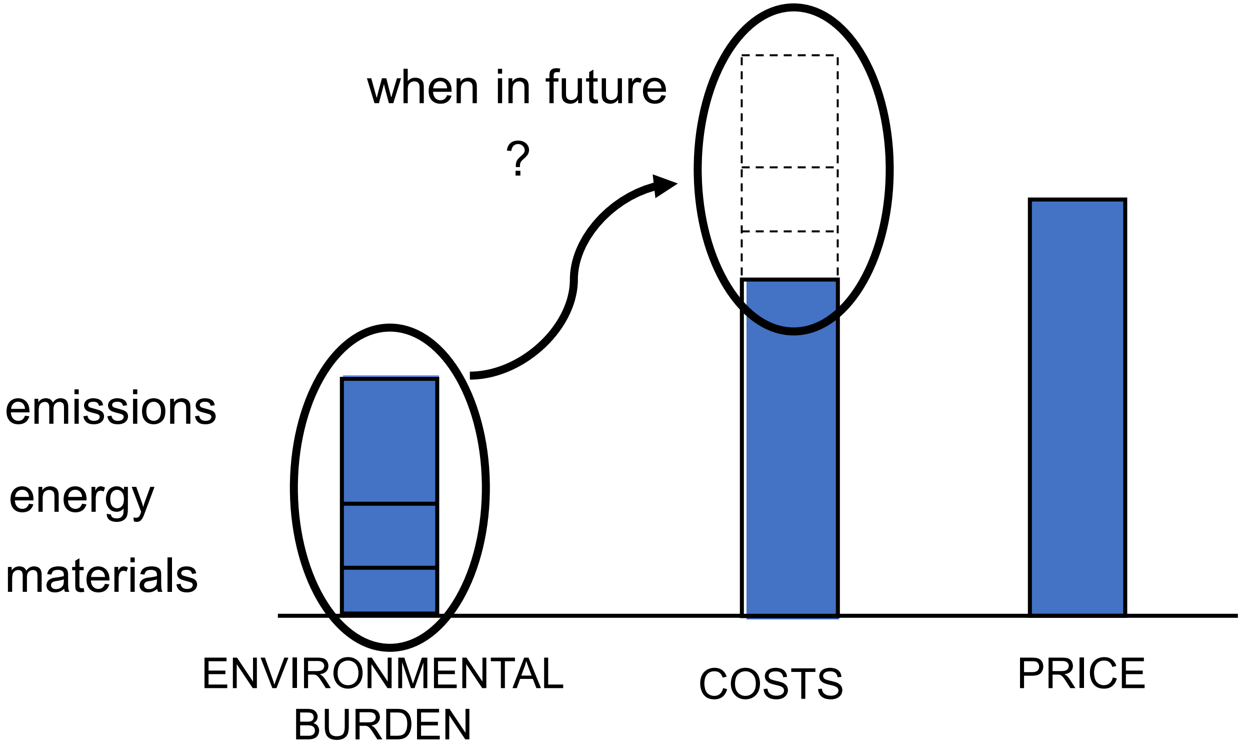
2. However, clients act also a citizen in politics:
a majority asks the government to set stricter regulations

3. Companies accept regulations when they are 'level playing field'

Source: Vogtlander J.G. et al. 2014. Eco-efficient Value Creation, Second edition, Delft Academic Press

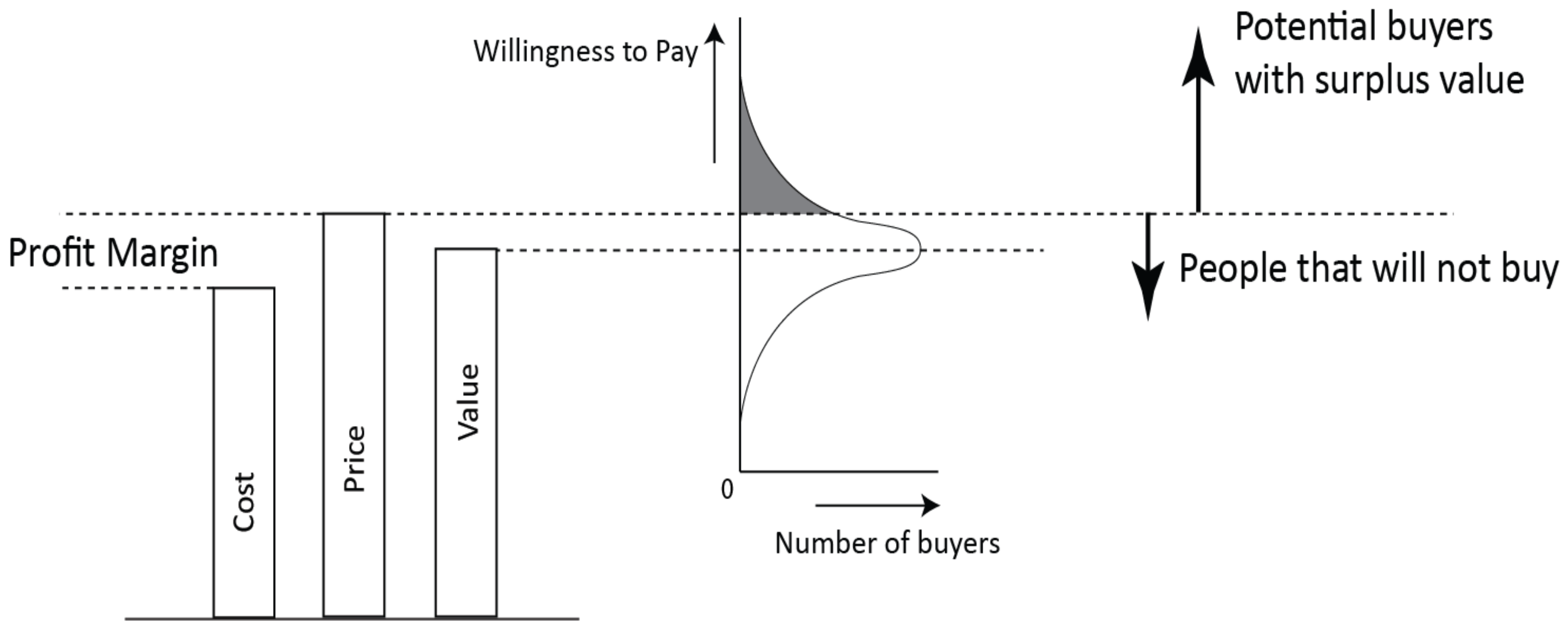
What is Life Cycle Assessment used for?

1. Product comparison
2. Product design and improvement
3. Environmental Product Declarations
4. **Strategic planning of product innovation**
    - LCA accounts for “external costs” in addition to the “internal costs”
    - Regulations may “internalize” external costs via: taxes to be paid, tradable emission right prices, required Best Available Technology (not at excessive costs)
    - When it will happen is not known, but that it will happen is quite certain



Source: Vogtlander J.G. et al. 2014. Eco-efficient Value Creation, Second edition, Delft Academic Press

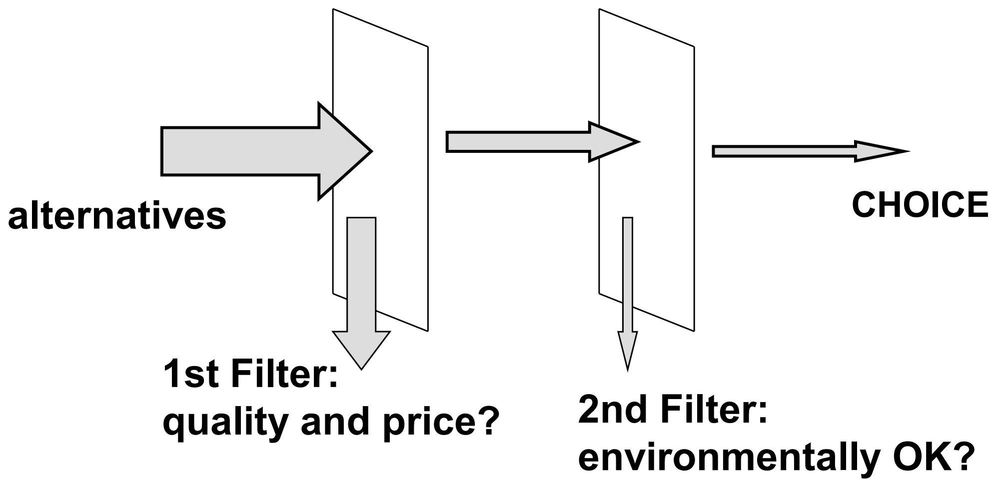
The value of something is individual. The value of a group (market niche) is a gauss curve.

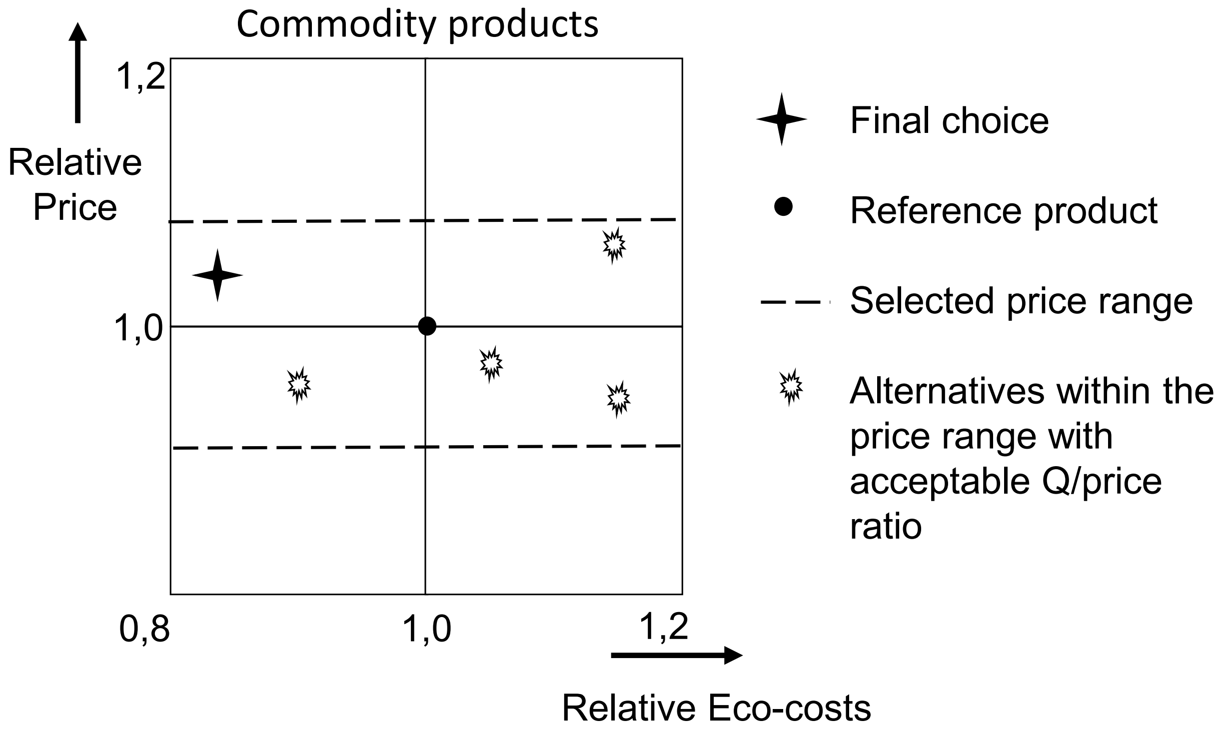


Note: Value = physical quality + service quality + 'look and feel' + image

the big question is how sustainability can be translated into value

The double filter model



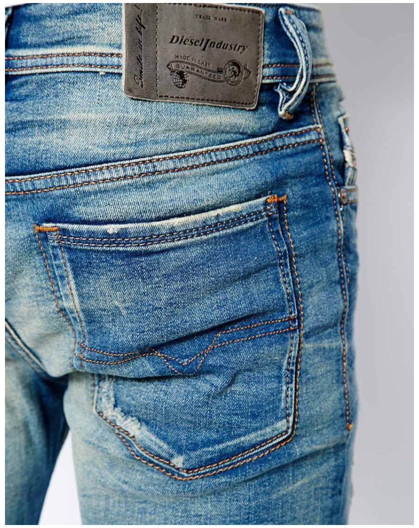


(1) For costs-driven mainstream markets (commodity products), the band-with of price is approx. 5%

(2) for value-driven mainstream markets, the Y-axis is the ‘quality/price ratio’ (quality= value=WTP)

Source: Vogtlander, Bijma, Brezet 2002. Communicating the eco-efficiency of products and services by means of the eco-costs/value model (220 references)

Data on your buying behaviour and labels:



Enquiries in Western Europe show:

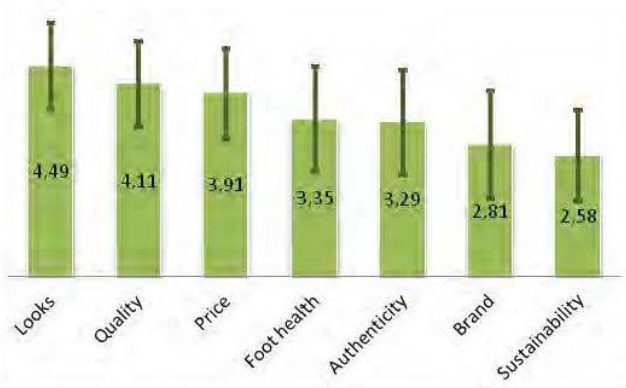
- 75 – 80 % of the people care for the environment, however
- approx. **50%** of the people are prepared to pay **until 5% more** for a 'green' product
  only **2 – 5 %** of the people pay more than **10%**

  a prerequisite is that people <u>trust the company and the product quality</u>

A survey at the Delft University of Technology shows:

About 50% of the students do not buy green labels:
- regard it as 'green washing' (25%)
- mistrust the quality when the price is the same (25%)

How important is 'green' for shoes?



Be aware of negative and positive connotation in green product ‘branding’

1. Be aware of the **negative** connotation of sustainability caused by awareness building
(you feel bad when you are confronted with the problems of pollution)

2. Build on the **positive** connotation of conservation of a beautiful nature
(you feel good when you think about nature)

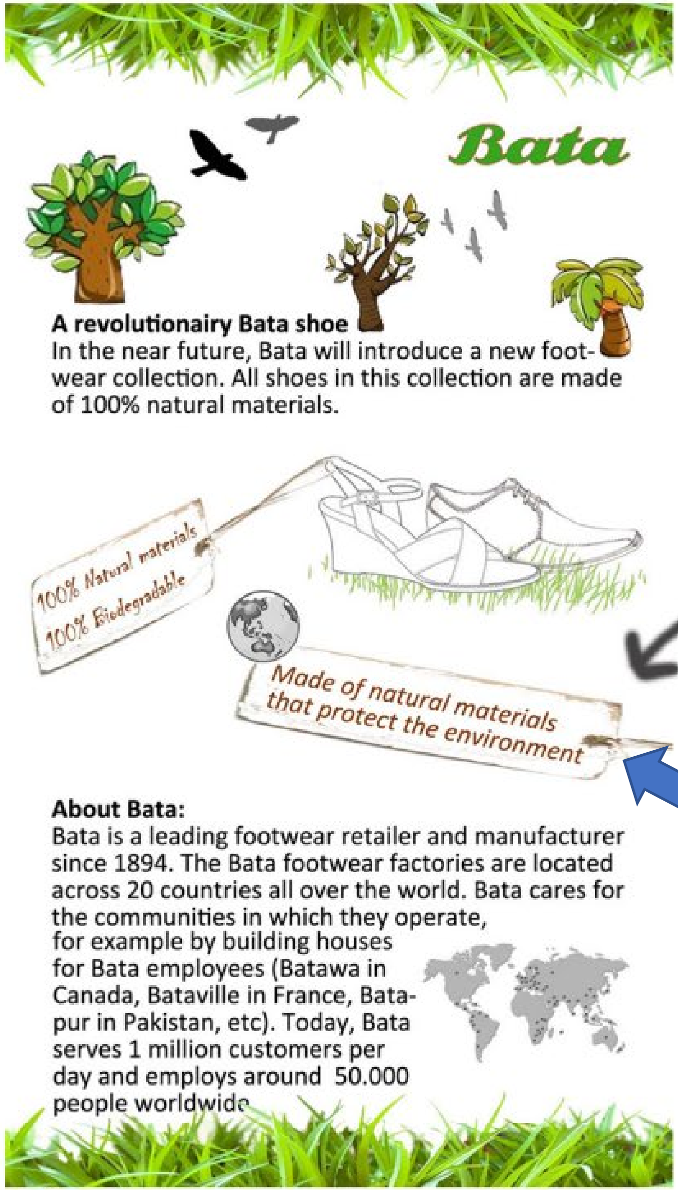
3. Be aware that jour buyers have **negative doubts on the functional quality of a green product**

What to do about is?

Awareness building is important, but leave that task to the NGOs

Make buyers happy with the idea that they do something positive with regard to the conservation of mother earth

Emphasise the quality of your product, also in branding
(as explained in next sheets)



Layout

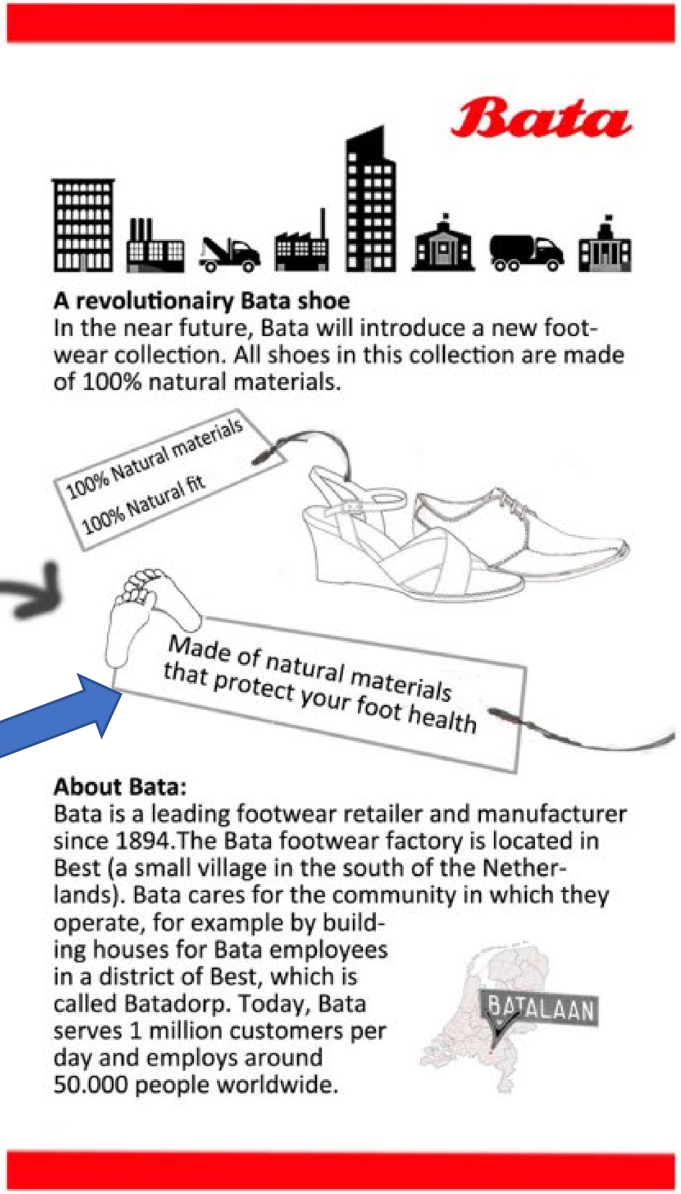
Green – Red

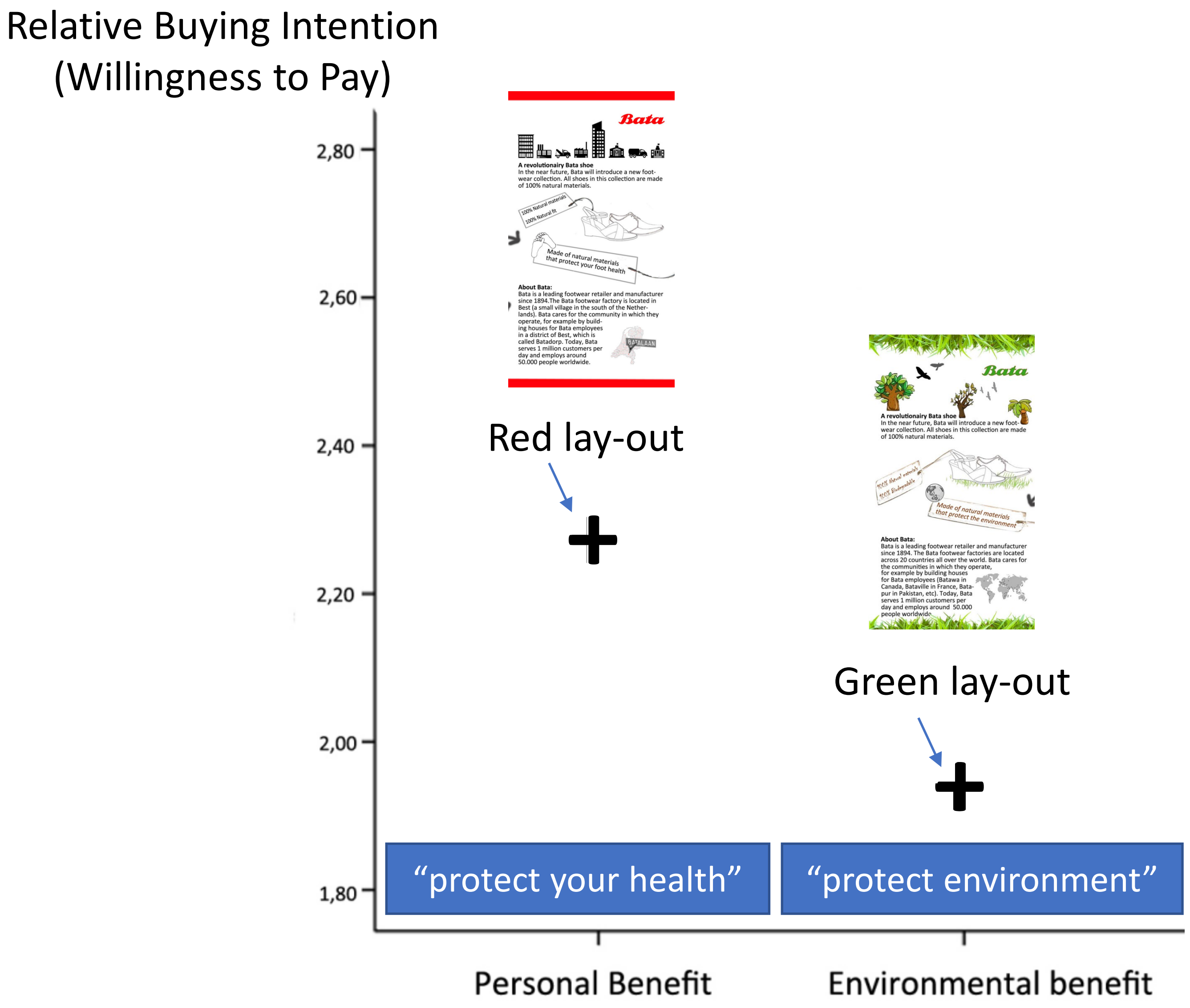
Benefit

Environment – Consumer

Protect your health

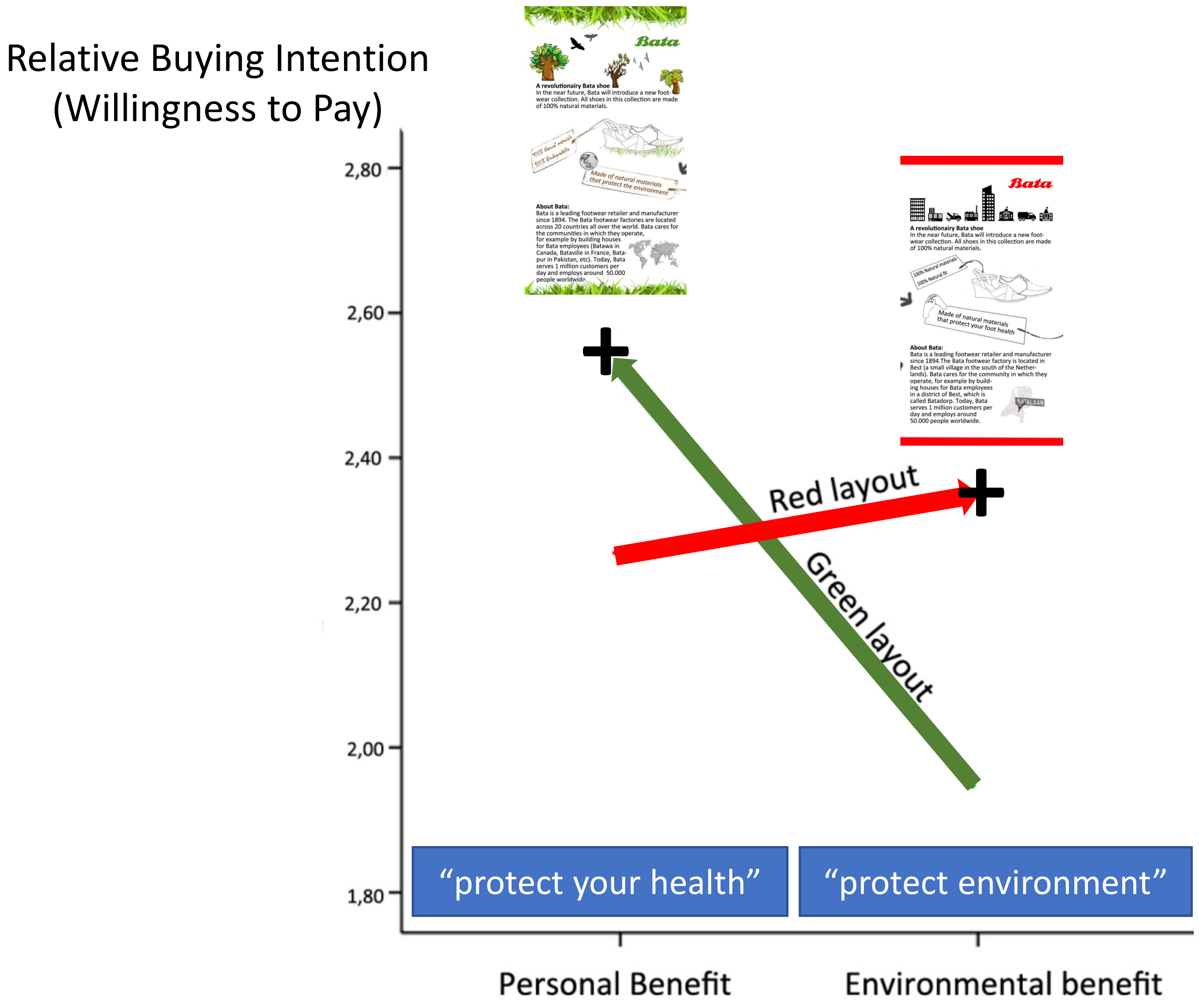
Protect the environment





The green advertisement has less WtP !!!!!

What can be done?



The basic idea behind it

The 'double benefit' model (Jacquelyn Ottman, 1993) distinguishes two types of benefit:

- The 'personal benefit' which is related to the customer perceived value, short term (what's in it for me?)
- The 'environmental benefit' related to the issue of eco-burden, long term (what's in it for my grandchildren)
- The 'personal benefit' plays a major role in the shop, the 'environmental benefit' is important at home

Successful Green Marketing requires a careful strategy, to avoid common failures

Do's and don'ts:

- do not label a product as 'green' in the shop, since it will attract less buyers
- do emphasise product quality in the shop, to counteract the negative green image on quality (which allows a higher price)

- enhance green aspects in product branding, since that supports the 'feel good' emotion after the purchase (generating 'repeat buyers')

And further (reference Jaquelyn Ottman)

- build confidence (via third parties that can be trusted)
- avoid vague, trivial or irrelevant claims
- no puffery (exaggerated or false praise)
- be transparent and exact in claims
- empower customers in their own choices (don't discuss what is right or wrong)

Source: Vogtlander J.G. et al. 2014. Eco-efficient Value Creation, Second edition, Delft Academic Press,
and Jaquelyn Ottman. 1993. Green Marketing, challenges and opportunities for the new marketing age., NTC Publishing group

Discussion

‘Out of the box’ thinking:

- **Corporate image is extremely important to attract employees.**
- **Look at the remarkable video on the SDU Toxic system with focus on employee satisfaction:**
  (1) purpose of your company (2) impact of your work (3) your work – life balance

The video looks logical for toxic substances, but it could simply be transferred to environmental sustainability?

https://toxic.nl/?gclid=CjwKCAjwrranBhAEEiwAzbhNtQpHfxFAwsupZlRKJ0qZ1Z09CcT376Weh-aij36cnV6KctJu2b-s-xoC18oQAvD_BwE

Issues for your company applying Idemat and eco-costs

Market demand
1. Clients want reliable data
2. Green Claim and ACM want science-based data
3. Clients focus on *(different markets)*:
(a) *either* CO_2 data, CSRD is the main driver
(b) *or* environmental sustainability data, brand image and corporate image ("purpose") are the main drivers

Marketing strategy should focus on:
a. Your company is trustworthy, honest and created one independent benchmark that does not allow for tweaking and greenwashing
b. Your company applies data from science (Delft University, SSIM)
c. Your calculation system is simple, practical, and 100% transparent
d. Your system makes data (publicly) available, so that the buyers can make their own choice on the basis of quality, price, and environmental data