



ISSUES IN BRIEF

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Best Practices for Green Marketing

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Green Marketing Best Practices

The Growing Importance of Green

The mandate to create a sustainable and socially responsible enterprise has never been stronger. First, there is an expectation from employees (both current and future): 80 percent of the general public feels that it is important to work for a company that cares about the environment, and 77 percent of recent graduates from top MBA programs would take a pay cut (average: \$5,500) to work for a firm with a credible sustainability strategy.¹ There is also an expectation from shareholders (activist and otherwise): a record 95 climate change-related shareholder resolutions were filed in the 2010 proxy season, a 40 percent increase over the prior year.² Further, there is an expectation from government bodies: the Environmental Protection Agency (EPA) recently enacted greenhouse gas (GHG) reporting rules requiring facilities that emit 25,000 metric tons or more per year of GHGs to submit annual reports to the EPA.

Finally, there is an expectation from customers: 75 percent of consumers who have read about a company's social responsibility agenda on its website said they are more likely to purchase products in the future from that company. (However, only 13 percent have actually ever looked at a company's social responsibility agenda.)³ If you supply to Walmart, you are already familiar with that company's Sustainability Index initiative which seeks to gain visibility into the sustainability of its vast network of suppliers. Consumers are increasingly aware, too, of the economic benefits of green or otherwise energy-saving products.

Companies are thus being pressured from all sides to measure and improve the sustainability and social responsibility of their enterprises. Indeed, in a recent Manufacturers Alliance/MAPI Council program survey, nearly 90 percent of executives said that it is important to their business strategy to have a corporate social responsibility or sustainability program. As many have discovered, however, it is not easy being green. This brief article takes a look at the customer dimension of this issue; specifically, how our members are communicating about the environmental benefits of their products.

¹ ORC Guideline [survey](#), June 2009.

² Ceres [press release](#), March 2010.

³ Penn Schoen Berland [survey](#), March 2010.

Green Marketing in Action

It should be noted that there is no standard definition of what constitutes green marketing. For our purposes it is the sum of a company's efforts to communicate about the positive environmental attributes of its products and services as well as its broader corporate initiatives (such as GHG reduction). Green marketing can flow from a broader sustainability strategy (which reaches deeply into multiple functional areas) but a formal sustainability program is not a requirement.

The MAPI Marketing Council recently surveyed its members to identify which green marketing practices are most effective. Members told us loudly and clearly that very few customers will pay a premium for a green product unless it has a clear financial payback. Although a company's environmental record matters, the real value is in helping customers be green. Top tactics include:

- Publicizing your company's general green practices.
- Quantifying the tangible economic value of your green products, and then promoting it.
- Showing your customers how you can help them be green.
- Creating a sub-brand or brand tag for green or energy efficient products.
- Developing white papers to build a thought-leadership reputation.
- Working with regulatory bodies to understand upcoming legislation, and helping customers profit from it (or at least understand it).
- Showing activity in high-profile green industries (e.g., wind power).
- Using existing technologies (or even products) in new green markets.
- Publishing a corporate social responsibility, citizenship, or sustainability report.
- Working with regulatory bodies, non-profits, community groups, and other stakeholders to build relationships and to communicate what your company is doing to be socially and environmentally responsible.

Following, we have briefly highlighted how two MAPI members are putting some of these best practices into action.

A.O. Smith and Energy Efficiency

A.O. Smith's Water Products business makes water heaters and related products for commercial and consumer applications. Most people do not think about their water heater until it stops working, but an efficient unit can dramatically cut utility bills. However, most consumers need to see a financial payback from home improvements related to energy efficiency. Feeling good about buying a green product is simply not enough. Third-party data support this: although 68 percent of consumers took steps to improve the energy efficiency of their homes in 2009, 71 percent did so to save money. Only 26 percent did it for environmental reasons. Further, there is growing skepticism of "greenwashing": 70 percent of Americans feel that when a product is called green it is just a marketing tactic.⁴

Rather than using green buzzwords to appeal to the altruistic sides of customers, A.O. Smith has found success in focusing on the dollars and cents benefits of its products. For A.O. Smith's customers, green boils down to energy efficiency. For example, messaging for the company's new Voltex™ hybrid water heater highlights the estimated \$360 per year in energy savings over traditional electric models, as well as its eligibility for tax credits up to \$1,500. Their website also has a handy [savings calculator](#) tool which customers can use to estimate how much energy (and money) the Voltex will save them. At no point does the company ask the customer to take a leap of faith that their product is a greener alternative.

Finally, A.O. Smith enlists the help of actor and environmentalist Ed Begley Jr. as a spokesperson for their most efficient products. His sponsorship videos drive home the message of energy efficiency and savings, rather than green for green's sake. According to A.O. Smith's Mike Parker, Vice President of Marketing and Strategy, "Ed is a well known green advocate. To protect his own brand, he will only represent products that he believes carry a legitimate green message. This helps give *our* message significant credibility." By focusing so tightly on the tangible financial benefits of energy efficiency, A.O. Smith makes it easy for customers to justify buying a green product.

Eaton's Sustainable Community

Eaton Corporation is a diversified manufacturer, whose products are used in electrical, industrial, aerospace, and vehicle applications. Because Eaton's products are typically components in complex engineered systems, customers, and even employees, might not have visibility into the breadth of the company's products, or how those products can help customers be green. Precisely because Eaton's products are part of large systems, they can have a substantial impact on energy efficiency, emissions, and product life expectancy. Therefore, Eaton developed its Sustainable Community website as a tool to showcase how its diverse technologies create environmental benefits.

Eaton's [Sustainable Community](#) is an engaging, interactive way for stakeholders to see tangible examples of how the company is helping its customers be green. The site features jargon-free language, and is organized around application ("At Home") rather than brand, business unit, or technology. The graphics are clean and show visitors that, whether they know it or not, they use Eaton products every day. The Green Leaf tag allows visitors to easily identify which products have the most positive environmental impact. In doing so, the company has created a tool that speaks to all stakeholders, not just engineers.

One particularly interesting tool contained on the site is the Green Building [poster](#) which shows how various Eaton products can reduce a building's emissions and energy consumption. Rather than highlighting individual components (which only an engineer might appreciate), the poster is an easy to understand graphic which showcases both the depth of Eaton's product portfolio as well as its green attributes. It can make for a great educational opportunity, too. A recent renovation of a major university's dormitory left students in a construction zone, unsure of what exactly was being done. By putting the Green Building poster in a prominent place, students were able to see which energy efficient products were being used in the building. "This helped the students understand what was going on and why it was a good thing. It also turned into a nice branding opportunity for Eaton," said Dan Gisser, the company's Director of Marketing.

Most people can appreciate the reduced environmental impact of practices such as taking public transportation or using canvas bags when shopping. However, complex challenges like improving energy efficiency in large buildings or

⁴ USA Today/Gallup [poll](#), November 2009; and Ipsos Reid [survey](#), April 2007.

industrial processes, or enabling cleaner electricity production and distribution are abstract concepts. Consequently, some people feel helpless to deal with them. “The Sustainable Community taps into that,” according to Gisser, “and shows that all of these things can, and are, being done by a company that is doing business right.”

An Opportunity for Marketing

By all estimates, the impetus for companies to consume less energy and to produce less waste is only growing stronger. Marketing plays a critical role in this transformation. It is in the unique position of being able to communicate directly with one of the most important stakeholder groups (customers) about the breadth of a

company’s sustainability and green efforts. To be successful, these communications need to emphasize consistently and transparently that there is tangible value to the customer in buying green products. Feeling good about being green is insufficient to the task, especially when selling to sophisticated procurement organizations.

In this sense, the value equation of green products is no different than that of other products: success comes from quantifying value (either in reducing energy usage, reducing emissions, meeting regulatory requirements, elongating product lifecycles, etc.) and then showing the customer how a product or service will generate a clear financial return. This is value for which customers will pay.