

CHANGING DIMENSIONS OF MARKETING AND ENVIRONMENT

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ABSTRACT

Changing public policies like the adherence to the Kyoto Protocol and the devastating results of global warming such as Hurricane Katrina have shifted the attention of consumers, businesses and governments towards mounting environmental consciousness and concern. As a consequence the state of the environment and how to create a sustainable way of life have become prevalent topics in the media. Documentaries like “An Inconvenient Truth”, which was promoted by former Vice President of the United States Al Gore, have caught the public eye and have changed the mindset of millions of people.

Keywords: Green Marketing, Environment, Sustainable Development.

Hence environmental awareness and consumption have become a widespread phenomenon across the entire globe. Not only do consumers grow increasingly environmentally alert, they also turn this consciousness into actual behavior by adopting a more eco-friendly and healthy lifestyle. D’Souza et al. (2006) e.g. point out that the majority of consumers nowadays pays attention to environmental labeling. This increasing demand for green products and services has changed the face of countless industries.

Especially the food and energy business have been widely affected by the eco-trend. Nowadays every major supermarket chain carries organic products and ecological specialty stores such as Whole foods have appeared in cities on every continent. Also the request for green energy has risen sharply in recent years. Renewable energies have become an instant hit in industrial countries such as Germany, where the use of green power sources has increased by one fifth in 2007 to a share of 14.2 percent compared to the previous year (Federal Ministry for the Environment, Nature Conservation and Nuclear Safety Renewable, 2008).

Other business sectors that have evolved as a consequence of the emerging eco-trend comprise the car and fashion industry. The demand for more environmentally friendly vehicles and new fuel consumption standards have led to the development of petrol-efficient cars (Porter and van der Linde, 1995) like the Mercedes Bluetec and the invention of hybrid models such as the Toyota Prius and the Lexus Hybrid which have been especially successful in the United States. In the fashion industry the shift has been towards organic fabrics and more ethical production standards (Goldberg, 2006). Major retail chains like H&M have e.g. included a line of organic cotton pieces (H&M, 2008) and high-fashion houses such as Stella McCartney promote using ecological raw materials, recycling and energy-efficient

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Production methods (Stella McCartney, 2008). But also statement garments and accessories have become extremely popular which is illustrated by the huge success of Anja Hindmarch's "I'm Not A Plastic Bag" design cotton bag (Kate, 2007).

Apart from that, the green wave has not only flooded society, but also academics in the economics and business area have recognized its far reaching impact. This is for instance illustrated by Porter and van der Linde (1995) and Correa (2007) who state that environmental protection and improvement go hand in hand with a company's competitiveness. Therefore, only those firms that react to environmental problems and customers' demand for ecological behavior can advance their sustainability. Moreover, Gifford (1997, p.11) states that firms which adjust their operations to a more environmentally friendly and conscious level will benefit from enhanced financial health as "green companies are less risky investments and deserve a lower cost of capital". In addition to that, green marketing, as a tool towards sustainable development, can also be used as a more holistic instrument for the satisfaction of different stakeholders (Kärnä et al., 2003). Yet, only acting on account of the environment is not sufficient. Rather, it is managers' responsibility to effectively communicate their firms' ecological efforts to the market (Gifford, 1997). Therefore the question arises: How is the green consumer best addressed?

In order to find an answer to this problem, businesses must conduct various kinds of analysis which allows them to profile their customers more appropriately to target them successfully thereafter. Specifically, it is of value to investigate aspects of the green consumer that are still untapped. Segmentation approaches seemed to be the most suitable in the past. Researchers explored whether a company should take geographic, demographic, psychographic or behavioral variables into account when segmenting its ecologically conscious consumer market. Yet, it remained questionable if the resulting profile could be used to convey green marketing messages successfully.

Previous research on the nature of the green consumer has been rather limited and results appear to be mixed. Jacquelyn Ottman, the founder of J. Ottman Consulting, Inc. and one of the world's most renowned experts in green marketing, states that only "a tiny bit of research has attempted to segment the [green] market" which is highly fragmented (Ottmann, 2003, p.30). Yet, from studies that do exist, one research stream suggests that psychographic profiling is superior to demographic profiling as it provides a stronger and hence more useful outline of green consumption (Demeritt, 2005; Straughan and Roberts, 1999). While other findings put forward that most companies only focus on demographic variables as they are more readily available (Mc Donald and Dunbar, 1998). Though, Haanpää (2007, p.478) notes that lifestyle-related factors of consumption "explain green commitment better than traditional socio-economic background variables". What is more, Diamantopoulos et al. (2003) found that socio-demographic indicators can only be used to a restricted extent for profiling environmentally conscious consumers. Hence it still remains uncertain which approaches are most appropriate for acquiring a more profound understanding of the green market.

A different characterizing variable that has become quite popular in health related studies is a person's regulatory focus (Higgins, 1997; Keller, 2006; Lee and Aaker, 2004; Zhao and Pechmann, 2007). The regulatory focus of a person deals with underlying motivations of how someone goes about in achieving their goal. This regulatory focus and the equally named theory (Regulatory Focus Theory) state that a person, depending on the situation, either has the motivation to actively pursue achievements (promotion-focused) or to

avoid negative consequences (prevention-focused) (Zhao and Pechmann, 2007). It seems to be intuitive that the engagement in green activities and consumption could also be based on either a promotion or prevention focus. For example, consumers who tend to vigorously realize achievements might buy organic products to live a healthier lifestyle, might recycle to make the most use of natural resources or might drive a hybrid car to set an example for society. In contrast, people who try to avoid hazards might engage in similar activities but they probably buy organic to prevent sickness, recycle to stop the deforestation of the rain forest and drive a hybrid vehicle to slow down global warming. Taking these differences in consumers' motivations into account, it can be deduced that addressing consumers congruently with their regulatory focus leads to more efficacious marketing messages. This is underpinned by previous research which states that advertising is more persuasive when a person's

regulatory focus is matched by the regulatory focus of the ad's message. This is because the message illustrates that use of a particular product or service will lead to the attainment of a goal or the reduction of an unwanted consequence (Lee and Aaker, 2004; Zhao and Pechmann, 2007). Therefore, Regulatory Focus Theory (hereafter RFT) appears to be a powerful tool for learning more about the nature of the green consumer and subsequently addressing him/her more effectively.

The remainder of this research first provides a thorough review of the development of the green consumer market and the ecologically conscious consumer of the present day. Then, an evaluation of different segmentation approaches, which were conducted in the past, is provided. This is followed by an extensive section on Regulatory Focus Theory and how its application can aid in understanding more about the green consumer nature. Subsequently, a presentation of the conceptual model and the consequential hypotheses regarding RFT as a powerful research tool is given. Next, the research methodology is described and accompanied by the study results. After that, a closing discussion is stated which features a conclusion and managerial as well as academic implications. The thesis closes with the research's limitations and recommendations for future studies.

Environmental awareness and consumption have become a widespread phenomenon in our world. Thus, the green consumer market is constantly growing and offers huge potential and opportunities to businesses around the globe. Also academics in the economics and business area have recognized the far reaching impact of the green wave that seems to have flooded society. Yet, among scholars there is no consensus on what defines the green consumer nature. Numerous studies, that were conducted to create an authentic profile of the ecologically conscious consumer, have not delivered consistent results. In particular, attempts of learning more about the green consumer through widely used segmentation analyses do not suffice in acquiring a true understanding of this complex market. Therefore, in order to convey green marketing messages successfully, other aspects of the green consumer nature must be explored. These findings should then be used in tandem with the knowledge previously gathered through traditional segmentation approaches. A different characterizing variable that has become quite popular in health related studies is a person's regulatory focus. The associated theory 'Regulatory Focus Theory' (RFT) states that a person is either promotion-focused or prevention-focused. This means that everyone either actively pursues achievements or tries to avoid negative consequences as a general motivational attitude. The thesis at hand provides a further step towards getting a deeper understanding of the green consumer nature by applying RFT to green marketing messages. An experiment with a factorial between subjects design

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was created that investigated the relationship between a person's chronic regulatory focus, the green marketing message's regulatory focus and the message's valence frame. Altogether 134 participants completed the study. The research revealed that consumers' motivations to engage in green actions can be partially explained by their regulatory focus. Also, applying RFT to marketing messages can improve consumers' perceptions of a certain product/service and hence improve the persuasiveness of green advertising claims. Additionally, the effects of valence framing in combination with framing according to the regulatory focus were further corroborated. Specifically, it was found that a promotion-focused, positively framed message works best for promotion-oriented consumers, while a prevention-focused, negatively framed advertising claim performs best for prevention-oriented individuals.

To fully understand the nature of the modern ecological consumer, it is necessary to take a holistic view of the green subject area. In particular, this chapter will have a closer look at the definition of being 'green'. Further, a detailed overview of the history of environmentalism up to present day will be provided. This is complemented by a future outlook on upcoming trends in the green movement. Finally, a comprehensive profile of the green consumer will be presented which is followed by the problem definition of this chapter.

The term 'green' has numerous connotations as companies, governments, organizations but also individuals use the term universally, yet labeling and addressing different things. Some consider it for example to be a political viewpoint, while others regard being green as a form of lifestyle. Figure 1 highlights some of the most common associations with the notion 'green' and hence demonstrates the vast variety of meanings (McDonagh and Prothero, 1997). As can be seen in the illustration, the connotations range from rather abstract subject matters like 'new consumerism' to very concrete and simple ideas such as 'clean water' and 'animal conservation'.

Since environmental issues and the green subject area are considered in various disciplines, hence the aforementioned immense variations in the meaning of being 'green', it is important, for the purpose of this study, to look at the term 'green' in a business and more specifically a marketing context. Particularly, it is crucial to clarify what is meant by 'green marketing' in general and to shed light on the description of the 'green consumer'. The Oxford English Dictionary (2008) provides the definition that is most in line with the rationale of this thesis, as it asserts that green marketing is "the marketing of products on the strength of their environmental friendliness". Although this entry is rather general, it best fits the investigations in this study as different kinds of marketing communication topics are addressed and greater specification would only limit the applicability of results.

As far as the green consumer is concerned, Smith (2008, p.32) for instance claims costumers believe that "being green is shorthand for all things ethical and environmental". While this statement is quite comprehensive, the definition given by the online Business Dictionary (2008) is a bit more detailed and thus suits the forthcoming analysis more closely, stating that the green consumer "is mindful of environment related issues and obligations, and is supportive of environmental causes to the extent of switching allegiance from one product or supplier to another - even if it entails higher cost" (Business Dictionary, 2008). This definition of the environmentally conscious consumer sums up very adequately why green marketing in particular is such a significant part of the marketing area as it can increase customer equity by acquiring new customers and enhancing brand loyalty.

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These definitions of 'green marketing' and the 'green consumer' should be kept in mind throughout the remainder of this paper. Apart from that, the evolution and the profile of the modern ecological consumer will be further elaborated upon in the subsequent sections.

It has been thoroughly discussed and established above that, due to the increased interest by the media, a higher level of awareness among the general public, the great costs of environmental disasters and the indisputable scientific proof, consumers are more than willing to make green choices. In addition to this, the long and turbulent history of the environmental movement seems to have reached a point of no return. Natural catastrophes and preservative news concerning the dangers of global warming have left a permanent impression on today's consumers. Haanpää (2007, p.478) even suggests that "concern for the environment has become [...] a cultural norm in western society" and Autio and Wilska (2005) remark that green consumption options have become the standard. Green products and services have evolved to be regulars in our consumption environment and are less than likely to vanish into thin air again. On top of that, environmentally friendly products no longer carry the slightly negative image of tree-hugging activists. Rather the opposite is true, green products have become quite fashionable and bring about the advantage of an attached 'feel good' sensation. Also, green or organic products are often considered to be of higher quality, as e.g. in the organic food industry no preservatives or artificial ingredients are added.

Therefore, the question arises:

"What are aspects of the green consumer nature, which help marketers understand this growing market?"

In particular, can Regulatory Focus Theory be applied as a means to comprehend and appeal to the green consumer's personality?"

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