Green Marketing in the Top Publicly Traded Australian Organizations

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Abstract

This paper examines the inclusion of sustainability into marketing activities of the top Australian firms. The results found that almost half of organisations (46%) did not integrate sustainability or environmental issues into their mission statement. Of those that did include sustainability in their mission, few then integrated environmental issues into other areas of their activities, as reported on their corporate web sites. This suggests that while sustainability is frequently talked about within organisations as being important, it does not necessarily translate in to a strategic integration across activities. Firms might therefore be using environmental issues tactically, which could unfortunately result in superficial attempts at becoming environmentally sustainable.

Key Words: Green, Sustainable, Environmental, Corporate Social Responsibility
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Introduction

There is little doubt that environmental issues are transforming business practice and consumer behavior worldwide, and include governmental regulations, as well as voluntary initiatives by businesses and consumers designed to minimize the environmental impact of their economic activities. While some authors suggest that a greener approach to marketing is a path towards competitive advantage (Ginsburg and Bloom 2004; Miles and Covin 2000; Porter and Reinhardt 2007); others go further and note that the greening of commerce is essential for the very survival of mankind (Hawkin 1993; Lovins 2008).

Some research has examined how firms have integrated green marketing into specific corporate activities, such as purchasing processes (Min and Galle 1997), product design (Bhat 1993) and advertising (Banerjee, Gulas and Iyer 1995). However, there has been less research examining how firms have integrated green marketing across other marketing mix activities such as price.

Researchers have proposed that there are emerging typologies for classifying the degree of green involvement by firms. For example, one of the early pieces by Hunt and Aster (1990) suggested that there are five categories of corporate greening activities. Sharma (2000) augmented this framework by proposing an alternative environmental performance classification scheme. In addition, marketing academics have explored the strategic motivations of firms to adopt green marketing (Banerjee, Iyer and Kashyap 2003); and how marketers have responded to various stakeholders in dealing with environmental issues (Polonsky and Ottman 1998; Rivera-Camino 2007). However, these works have generally not explored the degree and congruence of greening across organizational marketing activities or how green marketing impacts the implementation of the marketing mix.

The present study evaluates the degree of the adoption of green marketing across the marketing mix activities of the top firms listed on the Australian Stock Exchange (ASX) based on a content analysis of each corporation’s web site and annual report. This study assesses if corporations that incorporate corporate greening in their mission statements also mention how this green approach is operationalized in their discussion of the marketing mix activities of the firm.

Background

Green marketing has been of research interest since the early 1970s (Kinnear and Taylor 1973). There are a number of different definitions and terms provided in the literature; the basic intent of all of these is that firms seek to minimize the environmental harm produces throughout the value chain. In this paper the terms sustainable, environmental and green refer to this broad approach of minimizing environmental harm. Menon and Menon (1997) suggested that greening is something that should be integrated into corporate philosophy, which can then be used to leverage the firm’s position within the market place (Ginsburg and Bloom 2004). Polonsky and
Rosenburger (2001) proposed that corporate greening could occur across eight activities (market targeting, green design, green positioning, green pricing, green logistics, marketing waste, green promotions and green alliances). The translation of strategic direction into corporate activities often starts with the firms’ mission statement (Analoui and Karami 2002), and some studies suggest that the mission statement is an adequate indicator of a corporation’s commitment to specific activities. For example, Bartkus and Glassman (2008) looked at whether corporate missions included the consideration of various stakeholders, suggesting that more socially responsible firms would embed the concerns of social stakeholders within their strategy. However if one were to identify firms as adopting green marketing based only on the inclusion of green marketing issues within their mission statements or formal strategy statements, this would potentially overlook the degree to which green issues were integrated across organizational activities. As researchers need to look at the broader strategic level, as well as the more operational marketing mix activities, which have been considered in earlier research as well.

Product greening issues are one area that has been considered within the literature from a wide range of perspectives. For example, there has been extensive work looking at the role of designing or redesign products to be greener (Polonsky and Ottman 1998). Bhat (1993), in fact, suggested that most of a product’s environmental impact is a function of its design. As such, having a strategic position, which involves the firm integrating environmental issues into the design process, is critical (Schiavone, Pierini and Eckert 2008). A green product strategy must be accepted at the highest corporate level if sustainability issues are to be effectively integrated into the marketing process. As such, the evaluative systems where by new product design or redesign is considered must include a consideration of sustainability.

Place is the second aspect of the marketing mix that is considered within a greening marketing mix. Ensuring goods are available to consumers in convenient ways is important, however, it is generally less clear if consumers can or will be able to objectively assess the environmental implications of distribution since many distribution activities are not typically known by consumers. Strategically there can be system-wide greening of the supply system, for example by a dominant firm adopting ISO 14000 which then pressures all other members of the supply chain to conform to specific environmental criteria (Miles, Munilla and Russell 1997; Walton, Handfield, and Melnyk 1998). Other “greener” distribution activities include (1) redesigning physical facilities (Bartlett and Howard 2000); (2) implementing reverse logistics (Rogers and Tibben-Lembke 2001); (3) converting to a more fuel efficient fleet; or (4) redesigning distribution to minimize transportation.

The greening of price is one of the least studied issues within green marketing mix activities. While researchers have looked at whether consumers will pay more for green goods, such as food (Wachenheim and Van Wechel 2004) or energy (Roe, Teisl, Levy and Russell 2001), the issue of considering the total environmental impact (by internalizing all costs) of commercial activities has generally been less explored. There have however, been some work looking at issue related to sourcing materials from “responsible” producers (Miles, Munilla and Russell 1997) that is then translated into pricing strategies and tactics. Newer regulatory innovations such as carbon taxes and carbon trading will possibly make the pricing of green goods (or more
accurately non-green goods) a more salient strategic activity (Porter and Reinhardt 2007). Of course there are also tactical issues associated with pricing that might fall within this realm as well. The final marketing mix issue relates to promotion. This issue has possibly been the most studied, i.e. green advertising (Banerjee et al 1995). The research has generally examined issues such as consumers understanding and/or response to different types of green appeals (Morris Hastalk and Mazis 1995), categorized the degree of green clams that have been used, or looked at differences in types of claims across markets (Polonsky, Carlson, Grove, and Kangun 1997). From a strategic perspective, sustainability should be integrated in all communication and promotion activities, but for this claim to have any credence it must be supported by a corporate wide commitment to greener business practices (Polonsky and Jevons 2009).

**Methodology**

The categorizations of organizations based on their adoption of green marketing has been typically based on surveys of the corporations themselves (Sharma 2000), review of corporate documentation (Milne and Adler 1999), or surveys of organizations stakeholders (Rivera-Camino 2007). Somewhat based on Milne and Adler’s (1999) use of corporate documents (from the firm’s web-site) the present study utilized a content analysis of the corporate web-sites of the fifty largest publicly traded firms in Australia. These firms were selected as they have information available in the public domain due to regulatory demands. In this study publicly listed subsidiaries were included with the parent, and financial investment trusts were excluded from the study, resulting in forty-five Australian firms being assessed. Each firm’s web site was analyzed through a step-wise process. First, the web sites were scanned to determine if there was information revealed by the firm on how the environment has impacted its mission statement and marketing mix. A database of the top 50 companies was created. The mission statements were first scanned for any references to sustainability and these or excerpts thereof were entered into the database. Twenty four of these companies had an official statement that referred to sustainability and the environment.

Information for each firm that mentioned environmental or sustainability issues pertaining to their mission statement was, then analyzed to determine if sustainability and green marketing appeared to be impacting the implementation of the marketing mix. Four of the companies (AMP Ltd, Macquarie Airports, Stockland and the Westfield Group) did not have a declared sustainability statement in their mission, but have incorporated sustainability in their business operations such as efficient use of resources and Green Building Council membership. The information was examined to identify the underlying activities that related to improving environmental performance within an area, rather than focusing only on whether activities were referred to as ‘sustainable’ or environmental improvements. Once the dataset was compiled two of the co-authors independently assessed the firms and classified the firm based on if the firm’s mission statement, product, place, price or promotion strategies were being impacted by sustainability and green marketing.

**Analysis and Findings**
Content analysis was undertaken to identify whether, and if so to the extent that, green issues were integrated into the corporation’s mission statement and marketing mix. This was done by two of the researchers, where any points of disagreement were discussed and agreement was reached. This analysis involved a simple summary of the results of how many of the top publicly listed firms incorporated sustainability in their mission statements, and in their marketing mix activities.

The analysis identified 16 organisations (35.5%) that did not integrate sustainability into any of the five assessed areas – the Mission Statement, Product, Place, Price and Promotion. There were 24 organisations (i.e. 53.3%) that mentioned sustainability issues in their mission statements. While a majority (i.e. 24 out of 45) of the top firms mentioned sustainability in the mission statement, there was a wide variance in how central it was considered as a core corporate value. For example, firms that were involved in the energy sectors seemed to express environmental issues as core to the organization, while there was less commitment in many of the other sectors.

In assessing the degree to which these mission statements translated into an identification of sustainability within the marketing mix (according to the information on the corporate websites), 25 (53.5%) mentioned some aspect of greening their products, although five of these did not include sustainability within their mission. The inclusion of sustainability within product categories covered a range of activities from a cradle to grave lifecycle perspective to simply using more recycled content in new products and packaging. For banks, there was some mention of how considering sustainability may reduce corporate risk (and therefore cost of capital).

The next marketing mix issue that included sustainability was promotions. For this category 20 organisations (44.4%) mentioned greening promotional activities, although this also included broader corporate promotions of greening. Three of these firms did not include sustainability within their mission. The discussion of promotions covered a range of activities, such as attempting to leverage sustainability (where factual or not) as a theme underlying all promotional activities to fact based promotional communications where the firms adoption of sustainability certification schemes were discussed.

Sustainability was incorporated into place (including distribution and logistics issues) for 16 organisations (35.5%) and one of these did not include sustainability within their mission. As in the other activities there was a variation in how this was addressed. This includes corporations attempting to minimize transportation costs while reducing their environmental impact.

Lastly, there were only three organisations (6.7%) included information about greening pricing activities and all of those that did also included sustainability in their corporate missions. These issues tended to focus on how sustainability (i.e. energy efficiency, material use and water usage) reduced costs and thereby prices (although these were not necessarily explicitly mentioned), rather than discussing how this affected the prices to consumers, or the inclusion of the environmental costs of activities. As such, it seemed that pricing was possibly less strategically considered within the broader issue of sustainability.
Conclusions

While it was expected that an overwhelming majority of the largest Australian corporations would have adopted sustainability this was not the case, as only 29 of the top 45 firms (i.e. 64.5%) had integrated sustainability into their corporate mission or into any of their marketing mix activities. Of those that did integrate sustainability there were no corporations that integrated sustainability across all activities, and as such it may be questionable whether there was true strategic integration of sustainability. However, there were 21 organizations (46.7%) that integrated sustainability into their mission and at least 2 of the marketing mix components. There was also one organization that integrated sustainability issues into three of the mix variables, but not into the mission. Of course there was not an objective assessment of the quality of these activities, which may have not resulted in significant environmental improvements.

While the majority of corporations have not integrated green marketing activities, there were a substantial number of firms that did seem to have strategically embraced sustainability. This does not however indicate that these other corporations do not employ sustainable practices. It may be that for whatever reason, they have chosen not to communicate these changes. For example, they may fear that they will be assessed more harshly by stakeholders, should there be any environmental problems. It may also be that they prefer to let their market actions speak for themselves.

Unfortunately, the greening of promotion was used by almost half of all the firms studied. It is important to tell consumers and other stakeholders what is being done, but this requires that there are substantive improvements in sustainability to communicate. Thus, it may be that greening is still seen as a tactical tool rather than a strategic one and it appears that the largest Australian corporations may need to go much further in integrating sustainability across their entire marketing mix if they wish to truly leverage green marketing for competitive advantage. Future research needs to explore the issue further and the degree to which actions are strategic quasi-strategic and tactical can be assessed. This can also serve as a basis to develop a typology of sustainable organizations, in regards to their levels of integrated green marketing.
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