

Incidences and Analyses of Green Marketing Strategy in Colombian Exports



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Abstract

As environmental awareness plays a more prominent role in purchasing decisions, as consumers demand improved corporate responsibility, and as national governments implement regulation of not just the immediate firm's environmental impact, but instead on the impact throughout the value chain; those corporations which participate in green marketing strategies will be positioned for marketplace competitive advantage. This paper takes the reader through a literature review to define green marketing and applies the term to Colombian exporting firms recognized for their environmental practices or products. A survey of seventy-five small and medium sized Colombian exporters determines usage and perceptions of green marketing practices. Research indicates that Colombian small and medium sized firms do not yet feel market pressures to adopt green marketing strategies, but do so based on corporate level ethics.

Resumen

Mientras la conciencia ambiental juega un papel más importante en las decisiones de compra, los consumidores demandan mejoras en la responsabilidad corporativa y los gobiernos nacionales implementan legislación para reglamentar no solo el impacto ambiental de la empresa inmediata sino también de la cadena de valor entera; las corporaciones que participan en estrategias de mercadeo verde se posicionarán para la ventaja competitiva en el mercado. Esta obra lleva al lector por un recuento literario para definir al mercadeo verde y después aplica el término a empresas colombianas

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exportadoras reconocidas por sus prácticas o productos ambientales. La encuesta de setenticinco pequeñas y medianas empresas exportadoras determina el uso y percepciones de las prácticas de mercadeo verde. La investigación demuestra que empresas pequeñas y medianas colombianas no sienten presiones del mercado por adoptar estrategias verdes sino se hace por ética corporativa.

Key words: Green Marketing, Environmental Marketing, Corporate Environmental Responsibility, Colombian Exports.

Palabras Clave: Mercadeo verde, Mercadeo ambiental, Responsabilidad Social Corporativa, Exportaciones colombianas.

Introduction

Environmental protection is no longer a radical issue and has become recognized and accepted by the most competitive and successful multinational corporations. Even the investment firm Lehman Bros. has referred to global warming as a “tectonic force” that, similar to the phenomenon of globalization, will bring about worldwide economic alteration in the years to come. Others have predicted that the “Green Revolution” will effect social and economic change to the degree of the Industrial Revolution (Hawken et al., 2000).

In the latter part of the 1980’s, internationalized companies in developed countries found that cost leadership and differentiation, as then defined and practiced, were no longer sufficient to ensure a sustainable competitive advantage. Today, with the increased competition from countries such as China and India, with more efficient production and low-cost labor, Colombia is now confronting this same realization.

Like their foreign counterparts, Colombian companies seek strategic positioning in order to stave off the advances of these new competitors. One of the strategic decisions that a growing number of firms adopt is the implementation of green marketing.

Societal interest in protecting the environment has converted everything “green” into a crucial topic for businesses and executives competing against one another, to capture what globalization has rendered an increasingly singular market. Target markets for Colombian exports are experiencing increased environmental awareness. More than twenty-five countries, including the European Union, the United States, and Japan, now have independent, government supported environmental verification programs. Prominent ones include Germany’s Blue Angel, Japan’s Eco-mark, and the United States’ Energy Star. The Colombian company that does not meet the minimum environmental requirements established in these international markets quite simply will be denied access. Furthermore, as environmental responsibility continues gaining importance in consumer decision-making, the company will see itself obligated or may take proactive steps to adopt green policies and practices and to make them known through any of the distinct green marketing strategies.

The pressures upon the firm toward becoming a green company may be 1) coerced (regulated by law or market forces), 2) normative (regulated by trade unions or professional associations), or 3) mimetic (induced by imitation of the more successful firms) (Sharfman et al., 1997, 14). According to international research, consumers do not consider governmental regulation to

be sufficient to protect the environment, or that the government is the principal entity responsible for environmental protection. Instead, corporations and the consumers themselves hold this primary responsibility (D'Souza et al., 2006, 154). Therefore, coerced pressures are only a fraction of the pressures facing Colombian firms entering international target markets.

A corporate shift toward ecological practices and green marketing may positively generate market entry alternatives, consumer preference, employee recruitment and retention benefits, and an ethical and socially responsible corporate image. However, international academic literature has not arrived at consensus as to the best or most profitable green marketing practices. Analysis of green marketing practices of the Colombian firm is nearly non-existent, and what is found is very specific in terms of the industry or the strategy within the gamut of green strategies available.

Theoretic Framework

Various terms exist to describe the relationship between company, consumer, and environmental protection: environmental marketing (Coddington, 1993), ecological marketing (Fisk, 1974; Henion & Kinnear, 1976), green marketing (Peattie, 1995; Ottman, 1992), sustainable marketing (Fuller, 1999), and greener marketing (Charter & Polonsky, 1999). This paper will utilize the term *green marketing*, which will be understood as respect for the natural environment within the marketing mix as well as within the firm itself.

Prakash (2002) identifies the three ways in which a firm can become "green". Two of these ways are at the corporate level—through value-addition processes and through management systems. The other is at the product level. This "firm greening" is an essential precursor to the greening of the marketing strategy and

is evident in the four criteria Shi and Kane (1996) define as green marketing plan success factors: 1) product, 2) packaging, 3) practice, and 4) promotion.

First, *green product* is understood as a more efficient, clean, or lasting product or service, or a product or service derived from green inputs. Specifically, this product greening will include one of the six R's: 1) repair—extending the product duration by reparation, 2) recondition—extending the product duration by major overhaul, 3) re-manufacture—manufacturing of a new product with significant inputs from an old product, 4) reuse—designing of a product which can be re-utilized through its life, 5) recycle—designing of a product which can be reverted to its state as a raw material, 6) reduce—manufacturing of a product which uses less inputs or generates less waste while offering benefits comparable to competing non-green products (Prakash, 2002, 286). Though this criterion may be the most obvious, it is not the most frequently implemented nor is it the most valued by the consumer.

Second, *green packaging* deals with recycled, recyclable, reduced, or reusable packaging designs. This criterion tends to be the first and most often implemented.

Third, *green practice* refers to the pro-activity on the part of the company to protect the natural environment. Forte and Lamont (1998, 89) refer to this pro-activity as "preventive mode" (as opposed to "compliance mode") and associate it with the compromise of the company throughout the organization to proactive ecological policies, the involvement of personnel, and the emphasis on multidisciplinary teams of implementation. Prakash (2002) identifies two corporate-level methods in which the companies implement green practices: 1) adjustment of value added processes—redesign or elimination of process or modification or implementation of technology and 2) renovation of managerial systems—

corporate level policies and behaviors that create the appropriate corporate atmosphere for social and environmental responsibility. For this factor to be “exploitable” in the marketing communications, measurable and monitored performance indicators are key.

Finally, *green promotion* includes advertising, public relations, direct sales, and personal sales. As part of the genre of responsible marketing, green promotion is expected to be honest. The contrary carries the name of *greenwashing* and may bring about negative consequences in the marketplace. Given that consumers are expecting greater corporate environmental activism and that green promotion is obviously an effort to convince the consumer of the firm’s commitment to environmental issues, it is important to understand the factors that contribute to the consumer’s perception of green marketing. D’Souza et al. (2006) identify six factors: 1) perception of the company as a whole, 2) compliance with environmental regulation, 3) perception of the relationship between price and quality, 4) perception of the product characteristics, 5) product labeling, and 6) previous consumer experience with the company or product.

Conceptually, consumers are willing to reward the firm that offers a product or service which protects the environment, or at least reduces environmental aggravation. However, many firms find charging a price premium for green products challenging. Consumers are unwilling to compromise on many traditional product attributes, including price, convenience, availability, quality, and performance (Ginsberg & Bloom, 2004).

The choice of which of these four criteria for green marketing success to focus on depends on the composition and strengths of each firm. For example, from the managerial perspective, if the brand attributes are the strongest and most recognized attributes of the company, the firm

should decide on a strategy of green products. Conversely, if the corporate image is stronger than the brand image, the company should decide for a corporate-level green practice strategy (Prakash, 2002, 293).

Getting it right may lead to direct and indirect company benefits such as reduced costs, participation in shaping future regulation, first-mover advantages, organization competitiveness, increased market share, meeting of consumer expectations, increased workforce motivation, and consumer loyalty (Porter & Van der Linde, 1995; D’Souza et al., 2006; Forte & Lamont 1998). A positive, ethical corporate image further improves opportunities for increased market share, pricing concessions, improved employee morale, reduced risk for investors, increased strategic flexibility, profitable marketing opportunities, and increased firm market value (Chauvin & Hirschey, 1994; Miles & Covin, 2000; Suh & Amine, 2002).

Hart and Ahuja (1996) note, however, that economic benefits from greening, or any other socially responsible corporate practices, are accrued in the long-term rather than the short. Specifically with regards to environmental regulation, key corporate competencies may actually hinder leveraging environmental competencies (Rugman & Verbeke, 1998). Compliance costs may prove to be inhibitive and may become the incentive to avoid compliance (Lyon, 2003). Those firms which look to the long-term benefits of compliance, or even over-compliance, rather than the short-term savings of non-compliance, may eventually receive consumer recognition and develop competitive advantage as an ethical player (Arora & Cason, 1996; Russo & Fouts, 1997).

Of course, firms have societal and environmental responsibilities regardless of whether they contribute to profitability or not. Firms may adopt green policies out of pure

conviction rather than any intention of gaining financial benefit from them. Menon and Menon (1997) lead the discussion of *enviropreneurship* in referring to companies which are founded on environmentally responsible practices and policies and have a goal of revenue generation, be it related to or independent of the environmental aspects of the firm.

In the Green Marketing Strategy Matrix offered by Ginsberg and Bloom (2004, 81) in Figure I, four green marketing strategic modes are depicted according to the sustainability of the green market segment and to the differentiability of the firm's offerings based on greenness:

1. Lean Green firms are those that are committed to environmental practices for their own sake or for cost reduction's sake but are not interested in advertising or seeking direct financial benefit from these practices.
2. Defensive Green firms are those that use situational green marketing tactics as a means of warding off a specific crisis or competitive threat. Though environmental ethical commitment may truly exist, it is not a corporate principle from which the firm could reap competitive advantage—the firm would be unable to “outgreen” its competitors.
3. Shaded Green firms are those that value green efforts as a strategic opportunity and invest substantially in corporate level environmentally friendly processes and procedures. While these firms could very well differentiate themselves on greenness, they do not do so given that other firm attributes are more financially beneficial to differentiate.
4. Extreme Green firms are those that are founded and run on a daily basis with environmental issues as a principal driving force.

Figure I.
The Green Marketing Strategy Matrix

Sustainability of Green Market Segment	High	Defensive Green	Extreme Green
	Low	Lean Green	Shaded Green
		Low	High
		Differentiability on Greenness	

Source: Ginsberg & Bloom. 2004. p. 81.

Research Objectives

The current research has the objectives of 1) identifying Colombian firms which conscientiously have adopted green product, packaging, or corporate policy strategies and which advertise those green strategies to the export target market; 2) evaluating the motives for having chosen a green strategy, the form of marketing the strategy, the profitability of the export, and the depth and breadth of the entry into foreign markets; and 3) comparing these findings with the results of equivalent non-green Colombian exporting firms.

Specifically, this research attempts to test the following hypotheses:

- H1: The Colombian company that employs a green marketing strategy for its exports does so in order to comply with regulation in the target market.
- H2: The Colombian company that employs a green marketing strategy exports to a greater number of countries than does the equivalent Colombian company that does not employ a green marketing strategy.
- H3: The Colombian company that employs a green marketing strategy enjoys a lower profit margin on its exports

in the short run than does the equivalent Colombian company that does not employ a green marketing strategy.

Hypothesis 1, therefore, relates to the objective of evaluating firm motives, whereas Hypotheses 2 and 3 relate to the objective of comparing Colombian green firms with equivalent Colombian non-green firms.

Methodology

This research included a literature review and the research instrument was structured based on prior qualitative research. In order to test the relationships hypothesized, companies identified through Colombian daily newspapers and periodical business magazines as participating in green marketing activities were asked to participate in an on-line survey about their

company's attitudes and participation in green marketing practices.¹ Further details were obtained through telephone interviews with respondents and through secondary source literature.²

Seventy-five small and medium sized enterprises (SMEs) participated in the survey. As a general guideline, SMEs are considered to be those with assets between \$231,000,000 and \$2,308,000,000 Colombian Pesos and number of employees between 11 and 200. The firms had a minimum of three years exporting experience and a minimum of 15% of total sales revenue generated from exports.

Results

Preliminary results of this currently ongoing research are detailed in Tables I and II.

Table I.
Perception of firm green marketing practices

	Yes	No
Green Marketing is understood as respect for the natural environment in the market mix as well as in the company itself. According to this definition, do you believe that your company participates in green marketing?	75%	25%
Does your company have the ethics or conviction for ecological responsibility?	79%	21%
Does your company face pressures from the marketplace to offer green products?	38%	62%
Has your company entered new foreign markets due to your green marketing practices?	50%	50%
Does green marketing mean higher costs for your company?	59%	41%
Does green marketing mean a price premium for your products?	55%	45%
Does green marketing mean a higher profit margin for your company?	29%	71%

¹ Survey is available at <http://webapps.eafit.edu.co/seven/encuestas/mercadeoverde>

² In particular, information was gleaned on a regular basis from La República, El Tiempo, El Colombiano, Dinero, Gerente, and Poder.

- Of those companies which were previously identified through secondary source descriptions as having green policies, practices, or products, 75 percent view themselves as meeting the given definition of green marketing.
- Seventy-nine percent of the respondents perceive that their companies hold environmental ethics or conviction.
- Only 38 percent of respondents feel market pressures to supply green products. This will be discussed shortly.
- Perception as to new market entry stemming from greening endeavors is split evenly.
- Fifty-nine percent believe that green marketing practices result in higher costs to the company.
- Meanwhile, only 29 percent perceive green marketing as having a positive effect on market prices and profit margins.

Table II.
Firm participation in particular aspects of green marketing

	Green Product	Green Packaging	Green Corporate Practice	Promotion or Advertising of one of the previous alternatives	None
Which of the following alternatives does your company utilize?	24%	12%	63%	17%	38%
Which of the following are good alternatives to attract consumers to your export product?	40%	25%	50%	36%	25%
Which of the following imply a price premium in the marketplace as compared to an equivalent non-green product?	41%	29%	14%	12%	25%
Which of the following imply higher costs for your company?	37%	37%	20%	31%	13%

- The most frequently cited green marketing strategy is that of green corporate practice.
- Green corporate practice is also the most highly rated alternative to attract new consumers in an export market.
- However, only 12 percent of the respondents perceive that consumers are willing to pay a price premium for green corporate practice.
- Conversely, 29 percent of the respondents perceive that consumers are willing to pay a price premium for green packaging, which is the least utilized green marketing strategy according to the responses.
- According to the perception 41 percent of the respondents, green products capture a price premium, but only 24 percent offer green products.
- Interestingly, contrary to expectations, only approximately one third of the respondents perceive that green marketing implies higher costs for the firm.
- Strangely, 31 percent perceive that promotion or advertising of any of the other green marketing strategies does imply higher company costs. This seemingly nonsensical response will be analyzed shortly.

Discussion

This data contradicts in three important ways international data previously reviewed, such as that proposed by Shi and Kane (1996), Prakash (2002), Suh and Amine (2002), Ginsburg and Bloom (2004), and D'Souza, et al. (2006): 1) the Colombian firm implements green packaging at a lower rate than the other green marketing alternatives whereas international data show that this is usually the first and

most frequent green marketing strategy, 2) the Colombian firm perceives a price premium for green products whereas international data show that consumers are largely unwilling to pay a price premium for green products, and 3) the Colombian firm only vaguely feels pressures to provide green products whereas international data indicate that consumers are eager to buy green products. Through interviews with the respondent firm executives, these latter two contradictions are explained by the fact that these firms have only limited export activity to the countries where a grand portion of the market is demanding environmentally conscious products. In turn, these firms have greater activity with neighboring countries where the concept of green marketing is not yet strong, although within those countries they have niche markets willing to pay a price premium for green products.

Analysis of quantitative and qualitative data indicates that Colombian green exporters lie on the two extremes of the Green Marketing Strategy Matrix offered by Ginsberg & Bloom (2004). There are a good number of Extreme Greens or *enviropreneurs*, to use Menon and Menon's term (1997), that offer radically green products or services from a fundamentally ecologically focused corporate structure. These offerings; which include such products and services as eco-tourism, cosmetics based on Amazonian plant extracts, apparel and accessories derived from natural or recycled materials, butterfly reproduction, environmental management consulting, and organic produce; are directed toward a niche market and have intrinsically limited distribution. While the individual firms may achieve financial success, they are innately small-scale operations.

It is with this point that it seems important to analyze the reasons behind the 31 percent of respondents perceiving that green promotion would result in higher costs for the firm. From the onset of this research, it was not conceived

that green advertising would add costs—marketing communications should cost the same regardless of the message therein. This is where preconceived notions were misleading. Many Colombian firms, most importantly the small-scale entrepreneurs communicate their offerings on a very limited basis. Advertising is limited to the minimum communication of the specific details in order to lead to a business transaction. These firms indicate that green promotion would require lengthier communication, which would therefore add costs.

On the other extreme from the Extreme Greens on the Green Marketing Strategy Matrix are the Lean Greens. Again, research indicates that this is highly populated by Colombian green firms. These are the firms which may very well have strong ecological principles engrained in the corporate structure, but these companies do not see this as being a basis for competitive advantage. The offerings of the firm may be green to the extent that these provide the firm with benefits such as cost reduction rather than direct marketplace financial rewards. As with the Colombian Extreme Greens, advertising of the corporate level greenness would require marketing messages in addition to those marketing messages directly related with the corporate competitive advantage. Again, additional or lengthier messages would indeed imply additional costs.

Colombian green firms may be failing to seize important opportunities available to Defensive Green and Shaded Green firms. With its abundant natural resources, Colombia could be better known as a green provider in general.³ On the other hand, a competitor low-cost labor country such as China is involved in a new social or environmental responsibility scandal nearly monthly. Colombian firms may experience at least temporary market benefits

³ This would require a national governmental initiative, which is not the objective of this paper but which may be a topic for future discussion.

from Defensive Green marketing tactics at moments of weakness for competitors.

Shaded Green strategies for the mid- to large-scale Colombian green exporters will prove to be increasingly important in the future as world markets demand improved environmental responsibility from suppliers. Indeed, particularly European nations are currently beginning regulation of entire value chain environmental actions. The larger firms have the resources required to invest in state of the art ecological processes and procedures but certainly will have other more competitive attributes upon which to differentiate themselves. In this case, firm greenness will become a clinching factor for international transactions.

Conclusions

Raised environmental awareness is a marketplace reality and efforts toward improved environmental responsibility by means of green product or service offerings, ecological packaging, sustainable corporate practices, and the marketing communication of these will increasingly result in increased business opportunities and rewards. This is particularly true in developed nations such as those of the European Union, Japan, and the United States where environmental effects are becoming more widely regulated, not just within the home firm, but along the entire value chain of the firm.

Research indicates that Colombian green exporters maintain their green practices because of ethical convictions but have not yet realized the marketplace potential available to them. Even the Extreme Greens pursue green marketing practices out of internal convictions rather than external benefits to be attained in the marketplace. Colombian executives, like executives around the world, appear to have “only a limited understanding of what issues are on the minds of consumers”, with the environment being one of the top of mind issues

for consumers, regardless of whether they are willing to pay a price premium (Bonini et al., 2007, 8). The Colombian firm that already is committed to ecological offerings and practices recognizes the rising interest and demand in the

world marketplace, and begins communicating its greenness to target markets. It may not experience immediate financial rewards, but will begin accruing benefits which may convert into financial benefit in the mid- to long-term.

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