

IS PRESERVATION THE FIFTH "P" OR JUST ANOTHER MICROENVIRONMENTAL FACTOR?

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ABSTRACT

This article presents a few of the major pollution factors facing national, international and multinational companies. Its purpose is to arouse textbook authors and educators to consider the impact of pollution and where the overall issue of preservation should be addressed in our marketing models.

INTRODUCTION

Is Preservation the fifth "P" in the marketing mix or just another macroenvironmental factor? The thrust of this article is not to debate the question, but to stimulate the thinking of textbook writers and others to consider the issue and decide if preservation is a new "P" or another macroenvironmental consideration, and if so, in which of our various marketing models it should appear.

Hardly a day goes by without another report on environmental issues such as population expansion, waste export, ozone depletion, or toxic release. Environmental legislation will be a hallmark of the 1990's, the cutting edge of social reform and the most important issue facing business.

Environmentalism is a growing issue and the market for environmentally-friendly products and services is taking off. The environmental marketplace consists of some 170 publicly-held companies and nearly 69,000 private firms competing in a dozen industry segments. (Ferrier 1990). The environmental industry in 1989 was approximately \$120 billion. It is estimated to grow to over \$200 billion by 1995. Figure 1)

Government

The outpouring of laws and regulations from Washington now affects virtually every aspect of Corporate America. President Bush has said that he hopes to go down in history as the "Environmental President" and is attempting to boost the Environmental Protection Agency to Cabinet level. Coupled with this is the rise in activism of state governments and their seizing of the initiative in area after area of industry-related public policy. For the first time states are enacting laws governing products' labeling,

packaging materials, solid waste and consumers' "rights-to-know."

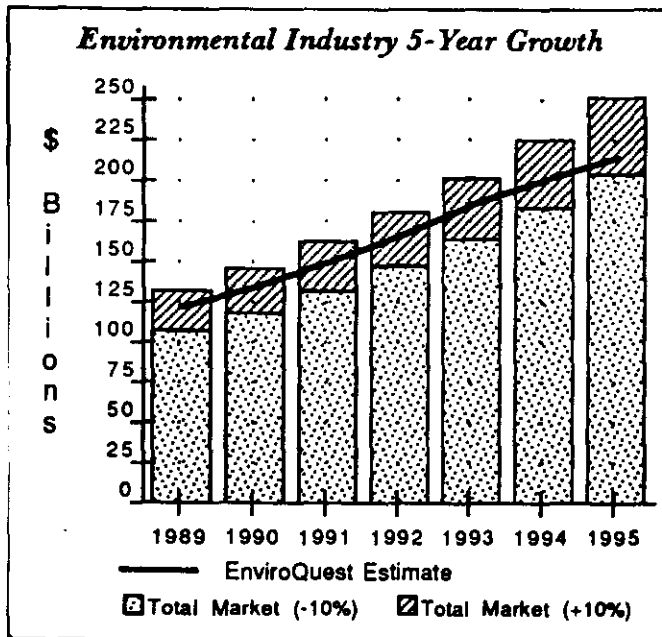
One example is California's controversial Proposition 128 (Big Green). Another is the 1986 adoption of California's Proposition 65, requiring toxic-substance warning labels on products. Similar bills then popped up all over the country. Will this trend be overshadowed by increased assertiveness in local governments? Will city councils no longer be content to wait for states to act, just as the states weren't content to wait for Uncle Sam? (Miller 1990, Williams 1990).

The historic events in Eastern Europe during the past year were in no small measure the result of a situation in which environmental decay outpaced even the economic deterioration of decades of Communism. As atmospheric pollution reached levels where health conditions dramatically worsened, and historic monuments crumbled from acidic deposition, the inhabitants of these countries cried out for change and political accountability. Thus, the grassroots movements which supported environmental reform helped galvanize the push for democracy throughout the region.

This same concern for the environment is serving to draw neighboring countries together to address common concerns. This problem is nowhere more evident than in our bilateral relations with our most important trading partner, Canada.

At the multilateral level, concern for the environment is reshaping the way in which global diplomacy is fashioned. International environmental concerns are now at the top of the agenda in such fora as the G-7 Economic Summit, the Montreal Protocol, the United Nations, the Intergovernmental Panel on Climate Change, and the Development Banks. Because issues such as climate change and stratospheric ozone depletion can only be addressed on a global basis, we find ourselves entering a new era of cooperation to protect the environment, bringing together a broad range of countries (east and west, north and south) in a common effort to protect the earth. (Naisbett, Aburdene 1990).

FIGURE 1



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The activities which result in the release of greenhouse gases such as energy production and use, deforestation and agricultural practices, are vital for mankind's economic health and thus cannot be readily modified without far-reaching socioeconomic costs and a rethinking of how we market our goods and services.

As we educators contemplate future steps to address local and global environmental issues, it is important to review the basic facts and other realities surrounding such concerns. I would suggest that in the area of the environment, the following points are most critical:

- * The pace of change in population growth, deforestation, etc., has been accelerating at a rate that makes a business-as-usual approach environmentally unacceptable;
- * The most serious environmental problems of ozone depletion, climate change, etc., are international in scope and can only be effectively addressed through multilateral action;

- * Any multilateral approach to global environmental issues will impact differently on different countries, depending on such factors as their reliance on fossil fuels, levels of development and economic structure;
- * The nature of global environmental issues will require that steps be taken in a climate of uncertainty and with incomplete knowledge of the problems; and
- * Economic development that does not take due account of environmental factors is inherently not sustainable and will eventually lead to collapse.

Because global environmental issues present problems for policy makers and business owners worldwide, it is clear that our diplomatic and business efforts in the future will be increasingly focused on the environment. As we enter a new era of concerns for the global environment, we are also facing new challenges to international diplomacy and marketing decisions which will test the business ability of the international community to cooperate in unprecedented ways for a common goal of environmental protection.

THE GREEN CONSUMER

The media and government are not the only ones gaining industry attention. Green consumers come in various shades of green and make purchase decisions in the context of larger issues relating to the environment. In part, this is because of the wide range of choices available. The Green Consumer and Shopping for a Better World recommend, in part, the following purchase related actions. (Corson, Marlin 1990; Elkington, Hailes 1990).

- * Avoid endangering the health of the consumer or others;
- * Avoid the use of materials derived from threatened species or environments;
- * Avoid consuming disproportionate amounts of energy during manufacturing, use or disposal;

- * Avoid causing unnecessary waste due either to excessive packaging or to a short useful life;
- * Use recycled paper products;
- * Use cloth diapers;
- * Avoid disposable products.

Some "greens" follow all of the principles listed while others follow only some. What is important is the extent to which they look to the merits of the product in making green buying decisions. Another type takes into account the moral and political positions of the producer and retailer as well as the product itself. (Corson, Marlin 1990).

Green consumers can also be differentiated on the basis of their degrees of commitment. The dedicated bring their environmental concerns to bear on most or all purchase decisions. Others engage in environmentally-aware shopping on a selective basis and the impulsive on a stimulus-response basis, opting for the product that purports to be environmentally superior.

A May 1989 New York Times/CBS poll showed that approximately 80% of U.S. respondents believed protecting the environment to be so important that continuing environmental improvements must be made regardless of the cost. The figure for July 1988, less than a year earlier, was 60%. The total number of environmentally-responsible shoppers is between 14 and 18 million households and will climb to 20 to 22 million by early 1991, and 50 million by year-end 1995. Additionally, some 2700 firms offer goods that meet environmental needs and over 3,000 others provide consulting services. (Goldstein 1990; Silverstein 1990).

Furthermore, environmental considerations are increasingly proving to go beyond the product's environmental friendliness to include the conduct of the manufacturer or retailer on matters of political, social or ethical importance to the consumer. (Stuller 1990).

THE ROLE OF EDUCATION IN MARKET DEVELOPMENT

Education will be the predominant characteristic of the green consumer movement for the next several years. Overall, consumer understanding of environmental issues and related technologies is rather low. This will

change. Consumers will become increasingly sophisticated about environmental matters.

At the same time, consumers will use environmental awareness as a springboard for pursuing similar issues, such as corporate responsibility and animal rights.

Education will increase the overall number of green consumers. It will also increase the rate at which consumers convert from being impulsive green consumers to selective green consumers. Employers are demanding that new hires be environmentally-trained. Some 700 universities offer environmental programs with many placing greater environmental emphasis in their engineering courses. Others offer degrees up to Doctorate in Social Ecology, an interdisciplinary academic unit spanning the environmental, legal, behavioral and health sciences. (Stuller 1990).

GREEN PRODUCT INTRODUCTIONS

According to Marketing Intelligence Service, Ltd., green products are being introduced at a rate twenty times faster than the rate for all new packaged goods. The number of new green product introductions nearly doubled between 1985 and 1989, totaling 706. (White 1990).

FINANCIAL

Wall Street closely follows the stocks of about 80 environmentally-oriented companies, and securities analysts are giving greater weight to a firm's environmental performance when judging the potential of its stock. Companies that fail to take strong action to reduce pollution may reap profits today, but may not in the future. Consumer groups can also control profits. More and more "green" mutual funds are making investment decisions based, in large part, on a firm's environmental and social responsibilities to preserving planet earth. Some funds will avoid investing in firms with poor environmental track records. (Silverstein 1989).

CERTIFICATION

The environmental movement is increasingly well-funded, professionally-managed and respectable. The level of public accountability by suppliers is growing, not just in the U.S., but

internationally, with heightened concerns about increased enforcement of environmental health and safety issues. Certification relates to how firms provide some assurance. Optimally, it would be by certifying performance results to their various constituents.

Environmentalism is gaining ground at grassroots levels and is also being institutionalized through regulation and other less formal, though equally as effective, groups. These include:

- * Earth Day's "Green Pledge" - the organizers of Earth Day 1990 planned to persuade 30 million citizens, or over 10% of the population, to sign a "Green Pledge" promising to become environmentally-conscious consumers.
- * The "Green Guarantee" - the American Forest Council has developed a "Green Guarantee" which pledges that forest products labeled with the guarantee are from forests which are regenerated.
- * The "Green Seal" Program - a system is under way for rating a much broader range of product types for their environmental friendliness, with criteria being established by a panel of scientists.
- * The "Green Cross" - this group is working with four national supermarket chains whose suppliers are to certify products that meet high standards for recyclability.

As momentum builds, so will the question of whether consumer concern is creating the market and the legislation, or vice versa. (Cook 1990). Markets cannot be created unless demand of some sort, including latent demand, exists.

BUSINESS RESPONSE

Across the United States, businesses are mobilizing in response to the explosive arrival of the environmentally-aware consumer movement. Companies are making decisions across a broad array of areas, including the following: (Allen 1990)

- * Whether to take a proactive or reactive stance;
- * How to respond to environmental groups' programs and policies such as the Valdez

Principles and "Green Seal;"

- * What environmentally-friendly products to launch, if any;
- * How to re-position products so as to reap the maximum benefit from the green consumer market;
- * How to incorporate environmental issues into product and corporate marketing strategies;
- * What actions to undertake to enhance ones environmental image;
- * How to respond to environmental problems related to doing business, such as packaging and hazardous waste;
- * Whether to create a position for environmental affairs, and if so, at what level;
- * Whether, and if so to what extent, to make internal operations more environmentally-friendly by introducing recycling programs, eliminating styrofoam containers, transportation pooling, etc.

CONCLUSION

The daily reports and articles on environmental issues, the proliferation of laws and regulations, the ever-growing numbers of green consumers, the increasing level of corporate accountability and the growth of certification are but a few of the issues making it clear that consumers, whether acting in concert or alone, will be more and more selective about what they buy and from whom. Ninety managers at a recent Arthur D. Little seminar stated that dealing with environmental regulations will be the major challenge to be faced in the 1990's. Competition from abroad was second, with drugs in the workplace rated as third. (Welter 1990).

What emphasis, then, do we marketers place on preservation of the environment? Is it time to elevate preservation to a more dominate role such as the fifth "P"? The facts seem to indicate that we should. The time has come for educators and

marketing text authors to address the preservation issue and determine its appropriate role in our marketing models.

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