A New Framework: Make Green Marketing Strategy go with Competitive Strategy

Chun-Shuo Chen, Ph D. student of National Taipei University, Taiwan
Dr. Long-Yi Lin, Associate Professor of Aletheia University, Taiwan

ABSTRACT

This article proposes a novel viewpoint: combining Michael Porter’s (1985) generic competitive strategies and Ginsberg and Bloom’s (2004) green marketing strategy to create a new function that firms can use to develop the optimal green marketing strategy easily and correctly under business situations and conditions. Several empirical studies have determined the importance and advantages of going green. To eliminate the environmental problems, environment management concepts, such as green marketing, green innovation, green production, and so on, have been sought recently. Firms must be changes the patterns in business marketing activities. Therefore, green marketing can play a leading role in each firm under the current business climate. We have known many managers took the generic competitive strategy as the basic dimension in planning a marketing strategy. The purpose of this article is to examine that under different business situations and conditions, the optimal green marketing strategy can be easily chosen by firms through our revised green marketing strategy matrix.

Keywords: Green Marketing, Marketing Strategy, Competitive Strategy, Strategy Matrix

INTRUDUCTION

In a 1992 study of 16 countries, more than 50 percent of consumers in each country other than Singapore indicated that they were concerned about the natural environment (Ottman, 1993). Given this figure, firms that market products with environment characteristics can be assumed to have a competitive advantage over firms that market non-environmentally responsible alternatives. Several empirical studies have determined the importance and advantages of going green. For instance, one study in 2008 showed that the green core competence of firms has positive effects on their green product innovation performance, green process innovation performance, and green image. The result also showed that green product innovation performance and green process innovation performance are positively correlated with the firms’ green image (Chen, 2008). In sum, firms handled an environment issue well can sustain a firm’s competitiveness and increase its superior image.

The 2004 Indian Ocean earthquake killed nearly 230,000 people in 14 countries and inundated coastal communities with waves up to 30 meters high. In the following year, Hurricane Katrina severely damaged the US. Since then, global citizens have begun to understand the importance of environmental management and green innovation. The ever-increasing industrial activities have become the causes of environmental impact since the Industrial Revolution became a growing global problem in the world. To eliminate the environmental problems, environment management concepts, such as green marketing, green innovation, green production, and so on, have been sought recently.

Base on the Roper survey, more than half of US consumers recycle bottle, cans, and newspaper (Ottman and Creasey, 1998). So there is a clear tendency that most consumers already demonstrate green sentiments in their daily habits and purchase behaviors. According to the institutional theory and natural-resource-based view, more and more strict international environment regulations has been developed, such as the Kyoto Protocol, Restriction of the Use of Certain Hazardous Substances in EEE (RoHS), and Waste Electronics and Electrical Equipment (WEEE), and the increasing environment consciousness of consumers, firms must change the patterns in business marketing activities. Therefore, green marketing can play a leading role in each firm under the current business climate.

The green marketing movement began in the US in 1994 (Kotler and Keller, 2006). Originally, the concept of
green marketing evolved from a societal marketing concept, which Kotler proposed in 1976 (Wong, 2008). Many firms have developed green marketing objectives and have integrated these into marketing activities. Most marketing objectives involve energy conservation, recycling procedures, decreased carbon or water footprint, green production, and so on. Polonsky (1994) defines green marketing as “all activities designed to generate and facilitate any exchange intended to satisfy human needs or wants… with minimal detrimental impact on the natural environment.” Therefore, green marketing can be categorized into two business models. The first one is to provide environment-friendly products and services, and the second one focus on developing activities related to environmental protection.

There are other reasons that make green marketing important to firms as well as a global issue. No matter how much firms become committed to environment friendliness or consumer health, corporate social responsibility (CSR) has become the most important and serious issue in contemporary business. Indeed, CSR can have a great impact on corporate image and social identity, as well as marketing activities. Handling green marketing well does not only sustain the firms’ core competence but also increases market share and customer loyalty. Clearly, green marketing has not lived up to the expectations and goals of managers and activists. Furthermore, it should be recognized that a one-size-fits-all strategy does not exist. The strategies that work best according to different markets and competitive conditions range from the relatively passive and silent green approach to the aggressive and visible green approach (Ginsberg and Bloom, 2004). This article proposes a novel viewpoint: combining Michael Porter’s (1985) generic competitive strategies and Ginsberg and Bloom’s (2004) green marketing strategy to create a new function that firms can use to develop the optimal green marketing strategy more easily and correctly under business situations and conditions.

GREEN MARKETING STRATEGY MATRIX

Maybe there is no single green marketing strategy that can fit all firms. Strategies should work best under different market and competitive settings. There are two sets of questions that managers should consider before choosing a green marketing strategy. The first is to ask how substantial the green consumer segment is for the firm. The second is whether the brand or firm can be differentiated from the green dimension. Given the viewpoint mentioned above, Ginsberg and Bloom propose the green marketing strategy matrix as show in figure 1.

Figure 1: Green Marketing Strategy Matrix

Firms should consider the likely size of the potential green market within the industry as well as the ability to differentiate green products from those of the competitors before choosing the green marketing strategy in the matrix. Lean Greens try to be good corporate citizens, focusing on publicizing or marketing their green initiatives. Defensive Greens commonly use green marketing as a precautionary measure, a response to a crisis and a response to a competitor. Shaded Greens see green as an opportunity to develop a competitive advantage in terms of innovative needs-satisfying products and technologies. Extreme Green firms are shaped by holistic philosophies and values. Environmental issues
are fully integrated into the business and product life cycle process in these firms. The primary marketing mix tools are utilized in green strategy, as shown in the following table 1.

<table>
<thead>
<tr>
<th>Primary Marketing Mix Tools with Green Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lean Green</td>
</tr>
<tr>
<td>Defensive Green</td>
</tr>
<tr>
<td>Shade Green</td>
</tr>
<tr>
<td>Extreme Green</td>
</tr>
</tbody>
</table>

In Ginsberg and Bloom’s theory, the differences among the four green marketing strategies can be seen by considering how the four elements of the marketing mix are utilized in each strategy. Although this matrix proves to be a useful tool, and firms use the strategies to integrate green marketing into their marketing plans, these are not enough for easy use and generalization.

**COMPETITIVE STRATEGY**

Porter (1980) proposes three strategies that have latent capacity to increase competitive advantage and can make firms get ahead of the others. Generally, these strategies are called "generic competitive strategy" and have been used by many firms to develop marketing plans. The three kinds of strategies are described as follows:

1. **Overall cost leadership:** This strategy aggressively develops the scale of economics and eliminates R&D and marketing expense. The production and marketing costs are controlled by increasing product efficiency.
2. **Differentiation:** Great efforts are put into the creation of unique products and services to develop competitive advantage. The differentiation in products and services includes superior quality of the product, better service level, and brand image.
3. **Focus:** Businesses focus on a specific market segment or part of the product line to gain competitive advantage. The following figure 2 shows the structure of Michael Porter’s generic competitive strategy.

![Figure 2: Michael Porter’s Generic Competitive Strategy](image)

This article adopts Michael Porter’s generic competitive strategy as the basic dimension of firms in choosing the optimal green competitive strategy. The main reason is that this classification can be applied to all kinds of industrial competitive strategies (Kim and Lim, 1988). The other reason is that the generic competitive strategy can be combined with Ginsberg and Bloom’s green marketing strategy matrix, which can be used easily by every company. These competitive concepts can also be understood by internal and external clients.

**REVISED OF GREEN MARKETING STRATEGY MATRIX**

Many managers take the generic competitive strategy as the basic dimension in planning a marketing strategy. The purpose of this article is to examine that under different business situations and conditions, the optimal green marketing strategy can be easily chosen by firms through this matrix. The revised green marketing strategy matrix is shown as figure 3.

The four quadrants of the new green marketing strategy matrix are equal to those of Ginsberg and Bloom’s green marketing strategy matrix. The first quadrant denotes extreme green, the second defensive green, the third lean green, and the fourth shade green.
This article included the generic competitive strategy concept and divided cost into environmental cost and firm cost in the revised green marketing strategy. As Ginsberg and Bloom’s green marketing strategy matrix provides initial thinking, differentiability on greenness and substantiality of the green market segment is taken as the axis of the matrix to create a two-axis matrix with four quadrants denoting four respective green marketing strategies. To draw out the meaning of the strategy, businesses, in choosing the competitive strategy process, should initially recall Michael Porter’s generic competitive strategy. Porter (1985) also argues that generic competitive strategy is still the simplest, helpful, and widely applied classification of strategy position. Therefore, the revised green marketing strategy matrix integrates the generic competitive strategy into Ginsberg and Bloom’s green marketing strategy matrix to enable firms to utilize more dimensions to build and develop the optimal green marketing strategy under different business conditions and competitive environment.

Among the factors, cost is the most important one that gains firms’ attention. All firms expect cost to decrease; thus, the revised green marketing strategy matrix adds the firm’s cost as a dimension to evaluate the total cost of green marketing strategy. However, developing green marketing means not only a new method for marketing strategy but also involves environmental issues. Therefore, environmental cost is considered to estimate how much contribution the green marketing strategy can generate.

CONSIDERATIONS IN CHOOSING A REVISED GREEN MARKETING STRATEGY

The main purpose in proposing the revised green marketing strategy matrix is to add more dimensions to guide firms in selecting a green marketing strategy with great consideration and consequence of worse and optimal situations in business and the natural environment. The concept is expected to aid firms in selecting an optimal strategy. The revised green marketing strategy matrix is described as following.

**Extreme Green: Quadrant 1+2**

Based on original matrix, extreme green belongs to the high differentiability on greenness and high substantiality of green market segments. Taking the viewpoint of generic competitive strategy, extreme green of the new matrix
belongs to high-level differentiation and high-level focus. Extreme greens incorporate the concept of green or environment friendliness into the business culture and hold the perception of holistic green. Thus, the contribution of extreme greens to the environment is immense, and their environmental cost is low.

**Defensive Green: Quadrant 3+4**

According to original matrix, defensive green belongs to the low differentiability on greenness and high substantiality of green market segments. Taking the viewpoint of generic competitive strategy, defensive green in the revised matrix belongs to the low level of differentiation and high level of focus. The strategy of defensive greens is seen as a precautionary measure, a response to a crisis or to a competitor’s actions. Thus, the level of differentiation is low as well as the firm cost.

**Lean Green: Quadrant 5+6**

In accordance with original matrix, lean green belongs to the low differentiability on greenness and low substantiality of green market segments. From the viewpoint of Michael Porter’s generic competitive strategy, lean green strategy belongs to the low level of differentiation and focus. Green issues are ignored in lean green. Thus, this strategy focuses on reducing costs and improving efficiencies through pro-environmental activities. As a result, its contribution to the environment is slight, and its environmental cost is high.

**Shade Green: Quadrant 7+8**

Within original matrix, shade green belongs to high differentiability on greenness and low substantiality of green market segments. Taking the viewpoint of generic competitive strategy, shade green belongs to the high level in differentiation and low level of focus. Shade greens have the capability to truly differentiate themselves on greenness, making green a competitive advantage. Thus, the huge investment in green leads to high firm’s cost.

In conclusion, the regions of low environmental cost are 1+2+3+8, and the regions of low cost are 2+3+4+5. Therefore, the best areas for business and natural environment are 2+3. The regions of high environmental cost are 4+5+6+7, and the regions of high firm cost are 1+6+7+8. Thus, the worst regions for firms and natural environment are 6+7. The best regions for firms and environment are 2+3. However, the area near region 2 has more benefits to the environment; thus, firms need to invest more. Region 3 has the opposite situation: its environmental benefit is fewer, and firm cost is low. For this reason, a favorable or unfavorable area is an opposite concept, not an absolute concept. Which strategy should be taken is based on firms’ direction in terms of natural environment and business benefit. Although regions 6+7 seem to be the worst regions for the natural environment and firms, the area near region 6 still has low firm’s cost and that near region 7 has low environmental cost. However, although regions 6+7 are not advantageous for the natural environment and firms, firms can also make the choice between low firm cost or low environmental cost.

**PREMIUM OF THE REVISED MATRIX**

Green marketing is under the spotlight and has become a global issue. As the society becomes more concerned with the natural environment, firms start to modify business behaviors in an attempt to address social and environmental issues. Some firms have reacted quickly to concepts such as environment management system, carbon or water footprint management, and green marketing. These firms have integrated environmental concept into business activities. Ginsberg and Bloom proposed a green marketing strategy matrix in 2004. Before choosing the strategy, managers must ask themselves two sets of questions regarding green marketing strategy. First, how substantial is the green consumer segment for business? Second, can the brand or firm be differentiated from the green dimension? In practice, managers adopt a generic competitive strategy with first priority as the basic dimension when selecting a competitive strategy. This article applies this concept to create a revised function to assist firms in developing the optimal green marketing strategy under a competitive business environment.

The premium of the revised green marketing strategy matrix includes the following: (1) Realistic. In creating a
strategy process, most managers take the concepts associated with Michael Porter’s generic competitive strategy. The revised green marketing strategy adopts generic competitive strategy as the basic foundation in choosing the optimal green competitive strategy. These kinds of classifications involve almost all kinds of industrial competitive strategies. As a result, the revised green marketing strategy matrix is more realistic. (2) Easier to choose. The revised green marketing strategy matrix has more dimensions for firms to select strategies and fit business conditions easily. (3) More regions for firms from which to choose. Original green marketing strategy matrix only has four region options and two dimensions to base the strategy. However, the new green marketing strategy has eight regions and three dimensions for companies to consider in evaluating strategy options carefully.

Although business objectives promote consumer satisfaction and earning of profits, more and more firms have started to realize that business is also part of the earth. Therefore, businesses should be responsible for the environment. This concept translates into business activities that achieve environmental objectives as well as profit objectives. As Wal-Mart’s chief executive officer Lee Scott says, “Environmental problems are our problems”. A company’s profit earnings and promotion of consumer satisfaction are essential, but some activities are harmful to the natural environment. No matter how firms commit to environment friendliness or consumer health, CSR is still the most important and serious issue in business recently. Firms should integrate CSR into the corporate culture. With this integration, businesses can gain competitive advantage and promote social image.

REFERENCES