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## 2

### Market Drivers for Greener Products

#### Consumer Demand for Greener Products

In 2010, a global Green Brands Survey concluded that “consumers plan to spend the same or more money on green products in the coming year, with more than 70 percent of consumers in China, India and Brazil saying they will spend more.” A strong global demand for greener products was indicated by over 60 percent in all countries surveyed, indicating that they want to purchase products from environmentally responsible companies. (Cohen & Wolfe 2011)

This survey demonstrates the growing desire of consumers for more sustainable products. “It is striking an interest in the environment and sustainability appears to be on the rise in markets all across the world, but the specific issues on which consumers are focused varies from country to country,” said Dan Esty, chairman of Esty Environmental Partners. A majority of respondents indicated that the key focus areas for greener products should be reducing toxics and dangerous substances, followed by water conservation or recycling. Consumer’s ranked environmental consciousness among the most important product attributes.

#### There is a Global Demand for Greener Products

It is striking that interest in the environment and sustainability appears to be on the rise in markets all across the world...

—Dan Esty  
Cohen & Wolfe 2011

“In the United States, 75 percent of consumers say that it is somewhat or very important to them that the brands they buy come from green companies...” (Cohen & Wolfe 2011). Green products are desired in a down economy and some brands have benefited from being perceived as greener than others as we can see in Table 2.1 below, the top-ten brands in the U.S. market.

**TABLE 2.1****2010 Top Ten Green Brands**

1. Burt's Bees®
2. Whole Foods Market
3. Tom's of Maine®
4. Trader Joe's
5. Google®
6. Aveeno®
7. SC Johnson
8. Publix
9. Microsoft®
10. Ikea

Source: [http://greenerpackage.com/corporate\\_strategy/survey\\_identifies\\_top-10\\_greenest\\_brands\\_us](http://greenerpackage.com/corporate_strategy/survey_identifies_top-10_greenest_brands_us). ImagePower® Green Brands Survey (Cohen & Wolfe 2011).

**Retailers' Demand**

The greatest driver for developing greener products is when the marketplace demands it. When your customer is asking you for products that have lower environmental impacts, you pay attention. This is especially true when it's your largest customer.

When Walmart, the largest retailer in the world, embarks on an aggressive sustainability program and asks their suppliers to help by providing greener products, it changes the way business is conducted. Whatever the reasons are for Walmart's sustainability initiatives, it has had a huge impact. I cannot think of a more significant single event that propelled the development of greener products than when Walmart decided to embrace sustainability.

When the biggest retailer in the world puts out a sustainability scorecard that can help (or hurt) your sales, you stand up and pay attention. Walmart believes that their "customers want more efficient, longer-lasting, better-performing products. They want to know that

- The materials in the product are safe
- The product is made well
- The product was produced in a responsible way (Walmart 2011b)

The company set out a three-step plan:

1. Develop a supplier sustainability assessment.
2. Develop a lifecycle analysis database.
3. Develop a simple tool that customers can use to consume in a more sustainable way.

**Walmart Sustainability Goals**

To produce Zero Waste, be supplied with 100% Renewable Energy, and to sell Sustainable Products. (Walmart 2011b.)

If you sell to Walmart, you will be asked to help provide sustainable products and help Walmart to produce zero waste. Part of the first steps in getting sustainability information on products sold in Walmart stores is through the supplier sustainability assessment. This is a survey consisting of fifteen questions that address energy and climate, material efficiency, natural resources, and people and community. Some of the questions asked will no doubt get companies scrambling and create action where they may not have done anything for fear that their competitors have an edge over them. Consider the implications of the following questions if you answer no and your competitor has programs in place:

- Have you measured and taken steps to reduce your corporate greenhouse gas emissions? If yes, what are those targets?
- Have you set publicly available water use reduction targets? If yes, what are those targets?
- Have you obtained third-party certifications for any of the products that you sell to Walmart?
- Do you invest in community development activities in the markets you source from and/or operate within? (Walmart 2011a)

Walmart was not known for sustainability and then became a leading force in what seemed like an overnight time frame. If you consider the amount and type of products that are sold in their stores around the world, there has been a profound impact. In addition to typical consumer brands, there are gardening, pharmacy products, eye care, home furnishings, electronics products, and many more. All of Walmart's suppliers are being forced to consider the sustainability of their products in a way they may have never had to. The final step in Walmart's sustainability initiative is "provide customers with product information in a simple, convenient, easy to understand manner so they can make choices and consume in a more sustainable way. This will provide customers with greater transparency into the quality and history of products than they have today." (Walmart 2011b) This should make every supplier think more seriously about its greener product development commitments.

Tesco is Britain's largest retailer, and one of the top three global retailers. With operations in 13 countries, over 3,700 stores, and over 440,000 employees, this company also has significant influence. To fully understand the impact of their operations, Tesco determined that their supply chain in the

United Kingdom is responsible for approximately 26 million tons of CO<sub>2</sub>, which is about ten times the amount from their own operations.

In their commitment to minimize climate change, they set several objectives:

- Becoming a zero-carbon business by 2050
- Reducing the emissions of the products we sell by 30 percent by 2020
- Helping our customers to reduce their carbon footprint by 50 percent by 2020
- Halve emissions from our 2006/2007 baseline portfolio of buildings by 2020
- New stores built between 2007 and 2020 to emit half the CO<sub>2</sub> of a 2006 new store
- Reducing emissions per case delivered by 50 percent by 2012

As we can see, several of these commitments apply to suppliers. Companies selling products in Tesco stores must be mindful of these targets. In addition to supplier carbon reduction goals, a goal to reduce packaging weight by 25 percent by 2010 has been set.

One area in which Tesco has taken a leadership role is calculating carbon emissions of the products sold in their stores. They have evaluated the carbon footprint of a product's life cycle, raw materials, shipping, and use and disposal of the product by the customer. This has been done for 500 different products and plans are in place to do many more. The idea is to make the footprint information available on packaging to help customers choose between products and to encourage improved environmental activities.

Some examples of how footprint information was used to make better decisions include bin liners manufactured from recycled plastic that have "lower carbon footprint per liter than those manufactured from virgin plastic. Recycled toilet paper has a footprint a third lower than the standard product, and aerosol deodorants tend to have higher carbon footprints than roll-ons, because of the high energy needed to make the aluminum can." (Tesco 2010)

All of this has been done to assist customers to choose products that have the lowest carbon footprint. You may be wondering if customers will even understand what a carbon footprint is and use this information to choose products. Tesco claims that their research indicated that 50 percent of customers understood what a carbon footprint was, and nearly as many said they would seek products with lower footprints. (Tesco 2010)

Any company selling to Tesco will have to take notice of efforts to reduce the carbon footprint of the products they sell. Knowing that your customer is paying attention to the eco-effectiveness of your product will drive activities beyond what would occur without this pull. If product environmental performance can hurt or help your sales, you will pay more attention to greening your products.

### Home Improvement Companies

Home improvement companies have also gotten in on the green movement. Lowe's has set a sustainability strategy that has a heavy emphasis on bringing greener products to customers. The strategy is to provide environmentally responsible products, packaging, and services at everyday low prices.

Lowe's Policy on Sustainability encompasses the following:

- Educate and engage employees, customers, and others on the importance of conserving resources, reducing waste, and recycling;
- Use resources—energy, fuel, water, and materials—more efficiently and responsibly to minimize our environmental footprint;
- Establish sustainability goals and objectives;
- Review and communicate progress made toward achieving established goals and objectives; and
- Engage in public policy issues related to sustainability. (Lowe's 2011)

It's obvious that suppliers offering products with improved performance will get preference in Lowe's stores. Lowe's reports progress based on the environmental benefits from products sold in the form of energy and water savings. In 2009, Lowe's sold enough ENERGY STAR products to

- Reduce the amount of pollution equivalent to taking 275,000 cars off the road.
- Save consumers more than \$265 million each year off their energy bills compared with non-ENERGY STAR-qualified products.

The number of WaterSense-labeled toilets and bathroom faucets sold in 2009 can save enough water in a year to

- Fill more than 3,600 Olympic-sized swimming pools (or save more than 2.4 billion gallons of water annually);
- Save consumers \$13 million each year on water bills. (Lowe's 2010)

Their competitor Home Depot has also set goals to bring greener products to their customers. One objective is to encourage customers to become environmentally conscious shoppers. A method being used to educate customers on products with improved environmental performance is a program called "Eco Options."

Home Depot offers over 3,500 Eco Options products. A product is classified as having improved performance if it demonstrates benefits in one of five areas: energy efficiency, water conservation, healthy home, clean air, and sustainable forests. Improvements are judged by third-party certifications

that have been given to products like the U.S. EPA's Design for Environment, USDA Organic, Forest Stewardship Council, U.S. EPA Energy Star, and other criteria. (Home Depot 2010)

The types of products given the Eco Options designation include low VOC paint, Waste Sense®-labeled bathroom fixtures, Energy Star®-labeled electrical products, organic plant food, and environmentally preferred cleaners. Any company wishing to sell products in a Home Depot store will need to pay attention to their Eco Options program and seek this designation. In addition to the improved environmental performance, these greener products give customers cost savings. This makes them even more attractive and increases the manufacturer's attention to developing more sustainable products.

### Greener Hospitals

Companies providing products to hospitals are not exempt from the greener product revolution. Why would hospitals be driving the development of greener products? Consider that they are operating 24/7. The lights are always on, there is waste being constantly produced, air pollutants are generated by boilers that supply heat and hot water, and wastewater is continually flowing.

Hospitals are being encouraged to become more sustainable by interest groups such as Health Care Without Harm. Using a phrase from the Hippocratic Oath that doctors take, their mission is to see health care "first, do no harm." Their goal is to encourage health-care providers to do away with practices that harm people and the environment. The link between human health and environmental pollution is a point used to enroll more hospitals.

Product manufacturers are impacted by this movement because there is a focus on the purchase of safer products, materials, and chemicals. Hospitals are trying to avoid products containing mercury, polyvinyl chloride (PVC) plastic, and brominated flame retardants. (Health Care Without Harm 2011)

One of the leading health-care providers, Kaiser Permanente, raised the bar for greener health-care products when they unveiled their Sustainability Scorecard in 2010. Each company intending to sell to Kaiser Permanente is to complete the scorecard and the results will be used to make purchase decisions.

One of the focus areas is the use of toxic substances. An example is understanding if a product contains di(2-ethylhexyl)phthalate (DEHP). This chemical is undesirable because it has shown adverse effects on the development of the male reproductive system in young laboratory animals, and there is some concern this could also affect some human patients. So, one question on Kaiser Permanente's scorecard is "Does the product contain DEHP?"

If the answer is "no," the vendor enters a 0; if the answer is "yes," it is scored 1. The lower-scored products are the more environmentally friendly.

The implementation of this innovative scorecard can impact how medical device manufacturers do business because Kaiser Permanente purchases more than \$1 billion of medical products each year. (Hicks 2010) It is becoming more common for hospitals to ask sustainability questions of their suppliers, therefore, the demand for greener products in health care will continue to grow.

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### B2B Purchasing

Green products are not only relevant to consumers, but we have also seen a strong pull from business-to-business (B2B) customers. The phrase "greening the supply chain" has become synonymous with one business asking another to green up. Companies are pressured to become more sustainable on many fronts. One area that was not originally foreseen was the focus on the supply chain: from procurement of services and raw materials to third-party manufacturers.

More companies are asking their suppliers to help them with their sustainability goals. Unilever has been pressured for using palm oil and other agricultural raw materials in their products from farms that have damaged tropical rainforests. To address this issue, they have been working with suppliers to develop sustainably sourced palm oil, tea, soybeans, and other agricultural products.

Walmart set goals for their suppliers in China to reduce packaging and increase the energy efficiency of products sold in their stores. Staples, the office supply company, has set goals for paper-based products to come from sustainable forests by 2010. (Nidumolu and Rangaseami 2009) SC Johnson in their efforts to remove materials of concern from their products has asked their suppliers to phase out phthalates from the fragrances they provide. (SC Johnson 2011a)

Proctor & Gamble (P&G) has also developed a supplier Environmental Sustainability Scorecard. The scores that suppliers receive will be used to assign an overall rating from P&G that is used to make determinations on who they give their business to. One of the goals of the scorecard is to encourage suppliers to implement more sustainability initiatives. Suppliers must provide data on electrical and fuel use, water input and output, Scope 1 and Scope 2 greenhouse gas emissions, waste sent to landfill or incinerators and hazardous waste disposal. (GreenBiz 2010) P&G believes this rating system can encourage environmental improvement across its entire supply chain. The impact can be huge because P&G has approximately 75,000 suppliers, resulting in about \$42 billion in annual spending. (Environmental Leader 2010) This scorecard will surely give firms with greener attributes to their product an edge over others.

These are just a few examples of how businesses are looking to their suppliers to help with their sustainability initiatives and to help them green up

# 4

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## *Greener Product Design Examples*

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There are a lot of companies developing greener products and marketing the greener aspects of these products. Businesses boast of significant sales from these eco-innovative goods. To understand the best techniques and processes used to make greener products, we will evaluate the practices of leading companies. In the end, we will determine which elements are the most common for success. I chose the companies in this study based on their notoriety for exemplary greener product programs, and many of them are the firms that I have looked to for benchmarking purposes during my career.

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### **Ecomagination™**

Perhaps the most prominent and successful green product initiative is GE's Ecomagination. An evaluation of GE's program can tell us a lot about the elements of a successful greener product development program. We also will get a perspective on how a firm with diversified products, from microwaves and dishwashers to medical imaging equipment to windmills and locomotives, addresses sustainable design.

Ecomagination is a well-rounded top-down initiative that has been given significant attention by GE management. You would be hard pressed to have not heard of this program as the company has used television commercials, print advertisements, and digital marketing to communicate their greener product offerings. The company puts out an annual Ecomagination report, and their CEO is very public in speaking about the financial and environmental benefits of this initiative.

Perhaps the greatest strength of this program is that it is represented as a business initiative, not an environmental one. GE describes this program in business terms, profits from the products sold and customer demands met. "Ecomagination is a business initiative to help meet customers' demand for more energy efficient products and to drive reliable growth for GE." There is a focus on helping customers and society meet the environmental challenges of the day. However, GE makes it clear that addressing these issues is not an altruistic endeavor; in meeting these challenges, business units must generate "profitable growth for the company." Positioning this program as a business imperative almost guarantees its success. Executives from

various GE business units have taken notice and developed and marketed Ecomagination products. (GE 2009)

It's interesting to see that Ecomagination is positioned as meeting the world's need for energy efficiency. According to GE, the world's energy infrastructure must be transformed because it is obsolete and uses environmentally dirty technology. Cleaner, more reliable and efficient solutions to support the energy needs of future generations is required. That's where Ecomagination products come in.

Ecomagination was launched in 2005 and has increased in size and scope since its beginnings. GE has made significant funding commitments to demonstrate their commitment: \$1.5 billion in clean technology investment in research and development. GE has also committed another \$10 billion for R&D over the next five years. Success is measured in dollars. Sales in 2009 were \$18 billion, and the goal for 2010 is \$20 billion. Not only are there goals for Ecomagination product sales, but they also set higher growth targets for these products at double the rate of the overall company growth. This is a huge testimony to the benefits of generating greener products. Setting growth targets that are double the rate of other products in the portfolio breaks the old paradigm that green products are barely profitable. In fact, Ecomagination products are sold in 100 countries, and GE sees a growing demand across the world. (GE 2009)

To bolster these products' image as "green," GE performs a rigorous review to assess which products and services should be part of the Ecomagination portfolio. A corporate team has been established consisting of legal council, environmental health & safety, and marketing representatives. A sustainability consulting firm, GreenOrder, verifies product information and the marketing claims to substantiate the environmental benefits of products. The characteristics considered to designate a product as Ecomagination include energy use, greenhouse gas emissions, water use, and the ability to offer financial benefits to their customers. Neither the 2009 report nor any other materials I have read describe the methodology used to determine when a product meets the Ecomagination standard. However, as we will see later in the description of some of the products, there are obvious environmental benefits. (GE 2009)

#### Ecomagination product characteristics considered include

- Energy use
- Green house gas emissions
- Water use
- Ability to offer financial benefits to their customers

To lend further credibility to GE's greener product approach, an independent advisory board has been set up. The board consists of members

from nongovernmental organizations (NGOs) such as the World Resources Institute, Ceres, and academic institutions (Massachusetts Institute of Technology and University College of London). In the Ecomagination report, opinions about the program are given from the members of the advisory board, which demonstrates their active participation. (GE 2009)

The best way to understand the effectiveness of this program is to evaluate a few examples of the products having achieved the designation. The installation of co-generation Jenbacher engines and steam generation units in a Macedonian industrial park resulted in energy savings and CO<sub>2</sub> reductions through reduced fossil fuel use. The reductions were equivalent to 185,000 metric tons of CO<sub>2</sub> emissions. Because the installation qualified for certified emission reduction credits, the owner will also be able to profit by selling the carbon credits. (GE 2009)

Substantial water savings resulted from the installation of GE's reverse osmosis system and cooling water treatment process at OMNOVA Solutions' Green Bay, Wisconsin, facility. The benefits were realized by sending wastewater for cooling tower use instead of being discharged to the sewer. This resulted in eliminating an astounding 3.6 million gallons of water and saving \$120,000 per year. (GE 2009)

Renewable energy is a major focus for Europe in establishing a secure, safe, and sustainable energy for the future. A goal of adding 20 percent additional renewable energy capacity by 2020 has been set. GE sold 139 windmills to the largest on-shore wind farm in Central Europe and plans to add 101 more. The electricity generated from these will provide enough energy to power 400,000 homes. (GE 2009)

Homeowners can also benefit from Ecomagination products. The new Geospring hybrid hot water heater is more efficient than other models. Compared to standard 50-gallon electric water heaters, CO<sub>2</sub> emissions and energy use can be reduced by an impressive 62 percent. This is one of several GE products that are termed "smart appliances." There are other products under the smart appliance banner, such as refrigerators, ovens, and microwaves. More energy-efficient appliances like these will help reduce costs to homeowners and address various goals established by governments to reduce greenhouse gas emissions. The focus on greener products like these will help GE drive profitable growth while addressing the world's need for energy. (GE 2009)

It seems that the Ecomagination products are touching all aspects of society. Starbucks was looking for more viable, energy-efficient lighting for their stores. In a partnership with GE, highly efficient LED lighting was developed. As of September 2009, over 1,000 stores have installed the LED lighting. Compared to typical store lighting, this saves approximately 8,100 metric tons of CO<sub>2</sub> emissions, the equivalent of 1,600 cars on U.S. highways. Starbucks hopes to expand the use of this highly efficient lighting to over 8,000 stores by the end of 2010—further improving the use of energy-efficient electricity, driving cost savings, and fewer emissions. (GE 2009)

### Key Attributes of Ecomagination

- Represented as a business initiative
- Strong CEO support
- Supported with billions of R&D dollars
- Third-party verified
- Has a review board of external company advisors

As we can see from reviewing some of the Ecomagination products, there are demonstrable benefits for the products under this banner. Its effectiveness is exemplified through the breadth of the products that have achieved such designation. The financial support and targets set by the company show that it is firmly behind this program—not only to help the world solve its environmental problems, but also to bring profits to the bottom line.

### Timberland's Green Index®

One of the most impressive greener product development programs is that of Timberland®. It is the first company that I am aware of that has taken leadership to put a customer-facing nutrition-like label on their product packaging; they call it the Green Index®.

It is obvious that Timberland is very interested in greening their products when you read through their Green Index report. The company is extremely transparent on how they evaluate their products and goes into great detail to describe their program to develop and evaluate products in its Green Index report. A lot can be learned by evaluating this innovative program.

Timberland describes their program as a socially responsible initiative “to manufacture our products more responsibly.” (Timberland 2010b) The Green Index is an environmental rating system that has two intents:

1. Provide designers and developers with a relative measure of a product's environmental performance so that they are empowered to make it better from the start.
2. Provide consumers with a relative measure of products' environmental impacts to spur more sustainable purchasing. (Timberland 2010b)

### Green Index Program Objectives

#### Intent #1:

Provide designers and developers with a relative measure of a product's environmental performance so that they are empowered to make it better from the start.

#### Intent #2:

Provide consumers with a relative measure of products' environmental impacts to spur more sustainable purchasing. (Timberland 2010a)

Using Life Cycle Assessment (LCA), Timberland evaluated their iconic yellow boot. This assessment was used to identify the areas that have the most impact from raw-material extraction, production, and transportation. The results indicated that the largest environmental impacts come from raw material extraction and production; this leads developers to focus on reducing impacts of manufacturing and raw materials. By focusing their improvement efforts on the hot spots from the LCA, improvements can be targeted on the most important lifecycle impacts. When developing the label, they had to make some decisions on what not to measure and report on. For instance, transportation of footwear is not a focus area because it is an insignificant impact, accounting for less than 5 percent of the total climate impact.

There are three metrics for the Green Index®: climate impact, chemicals used, and resource consumption. The climate metric includes the electricity data from manufacturing and raw materials that are converted into greenhouse gas emissions. The chemical metric focuses on the use of solvent-based adhesives and PVC in the shoe materials. The resource metric considers the weight of recycled, renewable, and organic materials used in a shoe. Each category includes a calculation that results in a 0 to 10 score. The score is then averaged for a total score. This score and each category summary score are listed on the label that is put on the product package, similar to a nutrition label. (Timberland 2010b)

The exact method used to make the calculations for the Green Index® is described in detail in Timberland's annual report. Metrics like these are helpful for companies to drive improved performance and innovation. Timberland's developers compare scores of new footwear to the existing model to determine if they are making it greener.

A good example is the innovations that have been made to the new Earthkeepers™ 2.0 boot. This boot uses less raw material and more recycled materials, which lowers their resources score by one point from 8.5 to 7.5 from the previous version. Timberland explains the importance of this improvement, when multiplied against 40,000 boots per year: 500 metric

tons of carbon are reduced compared to the preceding version of the boot (Figure 4.1). (Timberland 2010, 2010b)

Timberland has connected the use of their green metrics with a brand that they call Earthkeepers™. Currently, the Green Index rates only about 5 percent of their footwear. Timberland has set a goal to have 100 percent of their product lines rated in 2011. (Timberland 2010a)

The use of standards ensures a consistent approach to identifying product impacts. Timberland uses ISO 14040 lifecycle assessment management systems standards to make environmental product declarations. They also use BSI Standards PAS 2050 as their method for measuring greenhouse gas (GHG) emissions of their products.

To drive further product improvements, Timberland has set specific goals and reports on their annual progress in their sustainability report. Because the use of volatile organic compounds (VOCs) is one of the key pollutants in manufacturing shoes, they measure the number of grams per pair of shoes. In 2008, they had 74.9 grams per pair and set a 2010 goal of 71.2 grams per pair. PVC is an undesirable plastic that is frequently targeted for phase-out by companies as part of their product stewardship programs, and Timberland has set a goal to remove it from their shoes. (Timberland 2010a)



FIGURE 4.1  
Timberland Green Index.

Key attributes of Timberland's Product Stewardship Program include

- Use a label, "Green Index," to communicate product greenness.
- Use ISO 14040 lifecycle assessment management systems.
- Set and report on product stewardship goals.
- Have Earthkeepers line of greener products.

Using a combination of the Green Index with overarching product stewardship goals is a good method for driving product improvements. The Green Index helps product developers focus environmental improvements on the most important lifecycle impacts. The higher-level product stewardship goals help emphasize and quantify corporate improvements to their products.

### SC Johnson GreenList™

SC Johnson is a privately held company based in Racine, Wisconsin, and is a global provider of consumer products. With over \$8 billion in sales, their product lines include a variety of merchandise used in homes, such as Glade® air fresheners, Ziploc® plastic sandwich bags, household cleaners Pledge® and Windex®, and even the Raid® pesticide brand. Manufacturers of these product groups have been challenged by customers and NGOs to improve their formulas because of ingredients that may have toxic effects on the environment and on the customers who use them. The market has been shifting with the introduction of newer products claiming to be more natural or green.

SC Johnson has been very public about focusing on greening their products. To positively affect product design, they made sustainability a company-wide initiative and not a single department's responsibility. The main way that products are greened is by continuously improving the raw materials used. The measurement system to drive greener product improvements is a process called GreenList™.

SC Johnson developed GreenList in 2001. This continuous improvement process rates each ingredient from 3 to 0. Ingredients are put into categories of Best (3), Better (2), Acceptable (1), and the least desirable to use, 0-rated materials. Each ingredient is based on four to seven key criteria, such as biodegradability and toxicity. The objective is to increase the score of a product's ingredients over time. The 0-rated materials are a specific area of focus, only used if there is no other workable alternative (SC Johnson 2010b).

It is very useful to have tools and objectives to enable product developers. SC Johnson scientists are tasked with developing new products that use raw materials rated as Better (2) or Best (3). As with most consumer product

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## *Consumer Interest in Green Purchases Is Growing*

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Lee Ann Head, Karen Barnes, and Suzanne Shelton

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### **Introduction to the Chapter**

I am privileged to have the contributions of a leading green advertising agency share their research and advice to this book. The Shelton Group is a thought leader in the green marketing space and has an excellent feel for the demand for greener products in the United States.

As we will see in the information presented in this chapter, the pull for greener products is growing and is predicted to continue. In fact, Shelton's 2011 research indicates that 70% of U.S. consumers say they are searching for green products. (Roth 2011)

Before initiating a green marketing program, it is critical to understand your customer. The Shelton group has segmented consumers into four rational groups (Actives, Seekers, Skeptics, and Indifferents). The data compiled will help a brand team identify the best way to position their product toward their target consumers. The concepts presented here are the backbone to approaches and methods presented in the subsequent chapters on how to effectively market a greener product.

As we will see in the evaluation of the most successful green marketing programs, they have implemented the advice in this chapter and truly "get it" when it comes to the proper way to position a product. Some groups may be willing to pay a premium for greener products (Shelton calls them the Actives), while others want greener products but want them as an "and." What I mean by this is that they want a product to be effective, at their price point, "and" if it doesn't cost more, the greener attribute will push the customer over the edge to buy it.

Knowing how to position a brand to its target group and understanding which certifications or attributes (e.g., certified organic) are meaningful can make you a winner. Understanding message preferences is just as important as green product attributes, because what good is a greener product if you can't get the customer to buy it?

The data in this chapter are based on surveys of the U.S. population; however, the concepts are valid in all markets throughout the world. Of

course there are regional differences, but understanding your customer and knowing the right questions to ask is applicable everywhere.

The remainder of this chapter is authored by Lee Ann Head, Vice President of Research; Karen Barnes, Vice President of Insight; and Suzanne Shelton, CEO, Shelton Group

### The Mainstreaming of Green

Green is officially mainstream. In Eco Pulse 2010, an online survey of 1,000 Americans, 64 percent of respondents said they were searching for greener (more energy-efficient, natural, sustainable, etc.) products these days. Not only did this percentage increase from the prior year (60 percent), but the green buyer base is largely representative of the overall U.S. population, with just a couple of significant differences:

- Hispanics (75 percent) and other minorities (74 percent) were significantly more likely to be searching for greener products than Caucasians (61 percent) or African Americans (57 percent).
- Propensity also significantly increased with income. For example, 54 percent of those with household incomes of \$25,000 or less said they were searching for greener products, compared to 71 percent of those with household incomes of \$100,000+.
- Overall, consumers who said they were searching for greener products said they were doing so primarily in lower-cost, consumable product categories: home cleaning, laundry and dish detergents, and paper products, although interest was also high in higher-priced categories like energy-efficient appliances (see Figure 6.1).

While men and women said they were searching to buy greener products at roughly the same rate, women were seeking green in many more product categories (ten out of fourteen). Women were significantly more likely than men to seek out greener options in the following categories:

- Food and beverages (54 percent versus 46 percent)
- Personal care products (shampoo, soaps, lotion, etc.) (59 percent versus 40 percent)
- Paper products (74 percent versus 57 percent)
- Pet products (33 percent versus 23 percent)
- Home cleaning products (77 percent versus 62 percent)
- Laundry and dishwashing detergents (75 percent versus 57 percent)

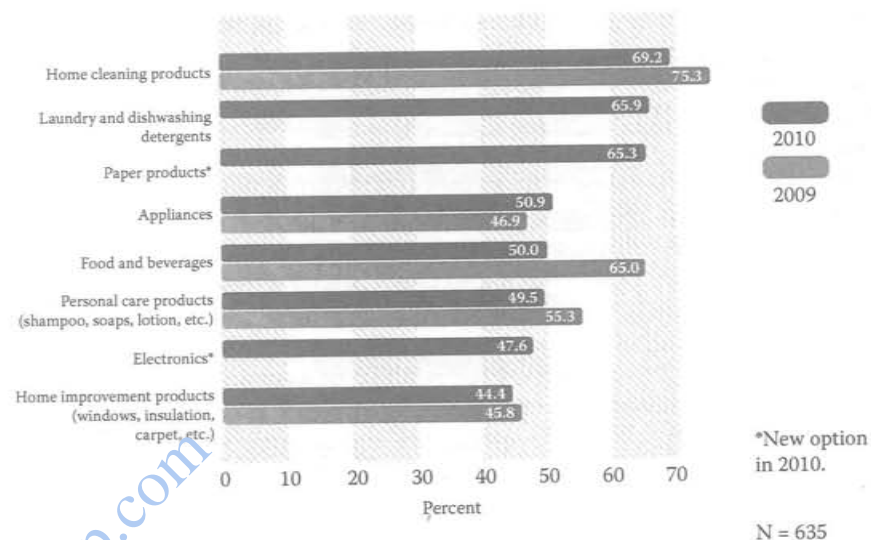


FIGURE 6.1

In which product categories are you searching for greener products? (Source: From Eco Pulse 2010, Shelton Group.)

Men were significantly more likely than women to seek out greener options in electronics (56 percent versus 39 percent). They were also somewhat more likely than women to look for green alternatives in automobiles/vehicles (36 percent versus 29 percent).

Green product consumption is growing, although most consumers think that green costs more. Almost 80 percent of Eco Pulse respondents agreed that green products “sometimes or always” cost more than traditional products. Despite this perception, however, green purchase habits remained strong—even through the 2008–2010 recession. When asked if the economic climate had negatively impacted their green buying habits, 21 percent of Americans said they were buying more, and 48 percent said they were buying the same amount. However, answers were correlated with household income, with respondents reporting incomes of less than \$75,000 significantly more likely than the overall population to say they were buying fewer green products (18 percent versus 8 percent).

### Green Purchase Drivers Differ by Product Category

The Shelton Group has found that people buy green products for very different reasons, and those reasons vary by product category. In the energy-efficient appliance and green home improvement categories, for example, the

primary purchase driver is “to save money.” However, when asked why they buy all-natural personal care products, consumers chose “to limit my (and my family’s) exposure to toxins and chemicals.” Shelton also found that “preserving natural resources for future generations” is consistently among the top three benefits of buying green in multiple, disparate product categories.

However, what consumers find compelling can sometimes be surprising. For example, when Shelton tested a variety of green features in a conjoint analysis, for baby wipes, products featuring “manufactured with wind power” were selected more often and commanded a higher price (exhibited more price inelasticity) than those with “natural botanical ingredients” or “made with organic cotton.”

And while the primary driver for healthy or organic food purchases is generally “better health,” we’ve found that endorsements or certifications generally test better in these categories than “organic” or “100 percent natural ingredients” in conjoint analysis. For example, in the healthy soup category, the “Endorsed by the American Heart Association” heart check was a stronger selection feature than “100 percent natural ingredients” or “certified organic ingredients.” Similarly, “endorsed by the American Heart Association” tested better than healthy additive descriptions such as “contains 13 vitamins and minerals” in the toasted oat cereal category.

### Green Habits Are Also Increasing

When presented with a long list of possible sustainable behaviors and asked which they regularly or habitually do (see Figure 6.2 and Figure 6.3), over one-third of Americans (35 percent) fell into the high activity category (10–39) in 2010, compared to only 18 percent in the previous year. The average number of green activities for respondents increased from six to eight in one year. The most common green activities were adjusting thermostat settings to save energy (65 percent); always recycling aluminum cans, plastic bottles, newspapers, and cardboard (61 percent); and replacing most incandescent bulbs with CFLs (53 percent). Sustainable transportation habits, such as riding a bike or walking rather than driving (19 percent) or taking public transportation (14 percent), are consistently the least popular activities. American consumers continue to be largely unwilling or unable to change their driving habits.

### So, Who’s Buying Green?

The Shelton Group has developed a proprietary segmentation system to better understand the attitudes, behaviors, drivers, motivations, and personalities

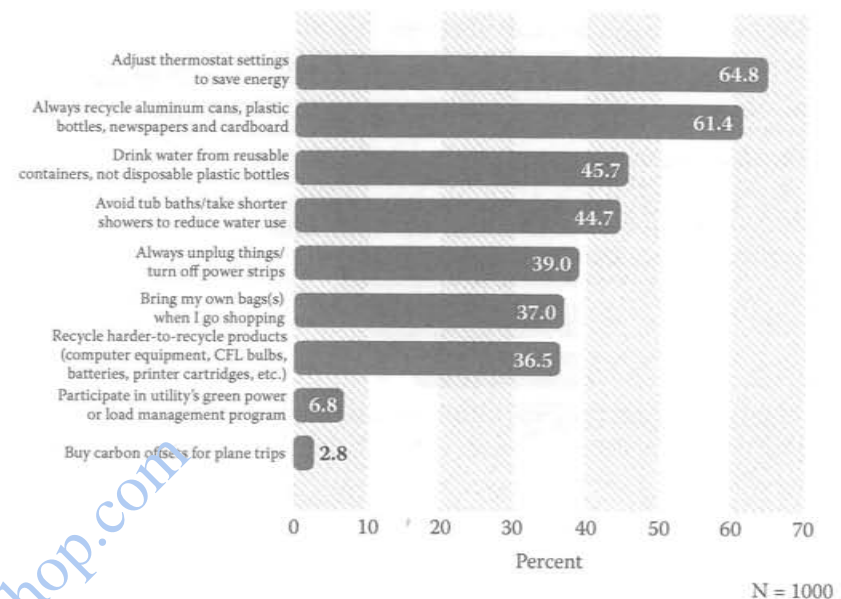


FIGURE 6.2

How green is your lifestyle? (frequent conservation habits). (Source: From EcoPulse 2010, Shelton Group.)

of those Americans who are buying green. The following data come from our Eco Pulse 2010 and Green Living Pulse 2010 studies.

We’ve identified four distinct groups of consumers at different points along the green spectrum. The two greenest segments are the Actives and the Seekers (Figure 6.4).

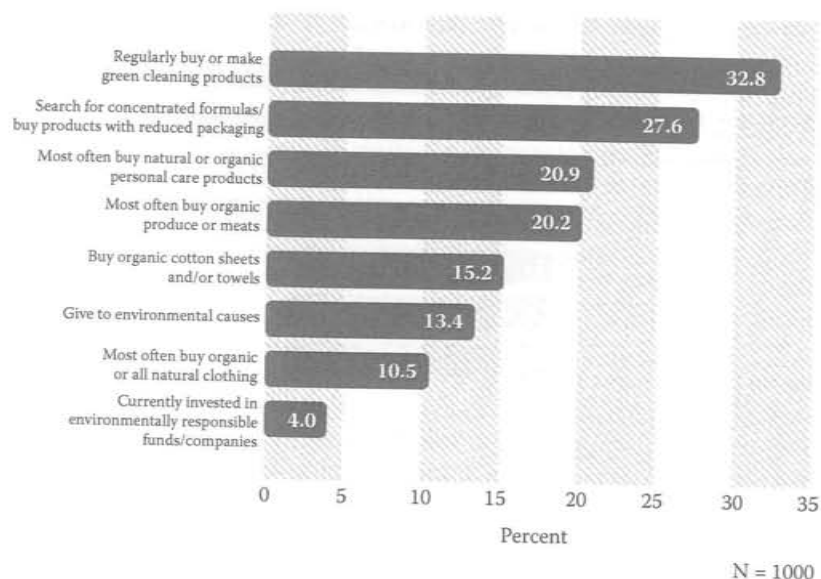
### Meet the Actives

The most involved of these groups is the Actives, representing 22 percent of the overall American adult population. This group is green in both their beliefs and activities, with 86 percent reporting that they are actively searching for greener products.

### Demographics

The Actives are well educated and have the disposable income to follow through on their green values:

- They’re equally likely to be male or female.
- They’re slightly older; 27 percent are aged 55+.
- They’re slightly more likely to reside in the Midwest or the Northeast.
- They’re the best educated of all the groups.



**FIGURE 6.3**  
How green is your lifestyle? (other green purchase habits). (Source: From Ecopulse 2010, Shelton Group.)

- 40 percent have a household income of \$75,000+.
- They're more likely to be white-collar workers.
- They're predominantly white, but they are also more likely to be Hispanic than the overall population.
- Almost all are homeowners.
- Most are married and half of them have children under 18 in the household.

### Lifestyle and Personality

Personality-wise, Actives consider themselves as leaders, with most saying that others come to them for information and ideas. They are also very involved in volunteer activities, with more than a quarter of them saying they "often" or "very often" volunteer in civic, community, church, or other non-profit group activities. Actives are also adventurous, outspoken opinion leaders, and are vocal in their support or boycott of companies and products. Their style isn't quietly altruistic or secretly philanthropic. Being green is an important part of their personal image; more than half say they'll pay more for a product that is consistent with the image they want to convey. Their public image is very important to them, as is achieving a higher social status and ambition or aspiring to get ahead. These Americans are generally highly driven, type-A personalities.

Actives are also significantly more likely than other groups to make their own cleaning products and grow some or most of their own food. They cook at home rather than going out to eat significantly more often than all other groups, and they are also more likely to be do-it-yourselfers around the house. These facts all point to an important personality characteristic of Actives: They are pragmatic "doers." They are more physically active than the overall population and are significantly more involved than other groups in sports—particularly outdoor activities such as hiking, kayaking, and camping—and the arts.

### Green Attitudes and Behaviors

Actives score very high on both green attitudes and behaviors. This group prioritizes the environment higher than other groups, and that belief guides their actions. To illustrate,

- 81 percent of them said they would choose the environment over their personal comfort or convenience (versus 33 percent of the overall sample).
- 86 percent of them were concerned about chemicals, such as those found in traditional cleaning products (versus 59 percent overall).
- Actives were significantly more likely than average to say that they or someone they care about had been touched by cancer, birth defects, or some other health issue that may be related to environmental contamination (28 percent versus 22 percent overall).
- 84 percent of them considered being in-tune with nature to be important (versus 53 percent overall).
- 84 percent of them said they think it's important to reduce water consumption (versus 67 percent overall).
- While the percentage was low, they were significantly more likely than the overall sample to say they or someone they care about had been directly affected by water pollution or a serious shortage of safe, drinkable water (13 percent versus 7 percent).

This level of environmental engagement and concern translates into their definition of "green." To this group, green means several things: environmentally friendly, recycled or recyclable, and energy efficient—but it's also likely to mean water conserving, safe, healthy, organic, and natural.

There's not much controversy about global warming with this group—three out of four of them believe it's real, happening, and caused by human activity. They feel a strong sense of personal responsibility to change their daily habits and purchase behaviors to positively impact the environment.

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## 9

### Best Practices and Conclusions

#### The Greener Product Imperative

Interest in greener products is on the rise. We have seen through numerous studies that customers want products that are environmentally friendly and want to purchase from businesses that operate in an ethical manner. The 2010 Green Brands Survey proves this point out by reporting that even in a down economy, consumers are buying products with eco-benefits. This is not limited to Western countries either; we see significant interest in emerging economies, with more than 70 percent of consumers in China, India, and Brazil saying they will spend more on sustainable products. This truly is a global phenomenon because over 60 percent of those surveyed expressed a desire to purchase products from environmentally responsible companies. In the United States, 75 percent of consumers indicated that it is important to them that the brands they buy come from green companies. (Globe-Net 2010)

Why are consumers interested in purchasing greener products? Both B2C and B2B customers are responding to the global green explosion. I believe that the heightened awareness of global environmental issues such as climate change, scarcity of water, air pollution, and the use of toxic chemicals is prompting a focus on doing some good with your purchasing power. Companies are responding by meeting customers' needs with their sustainability programs.

Walmart has been the most influential company in driving the development of more sustainable products, requiring suppliers to complete scorecards that measure their sustainability performance, and seeking greener products for their stores. Other major companies have followed suit; Kaiser Permanente, the large U.S.-based hospital chain, developed a sustainability scorecard for their suppliers, and Proctor & Gamble did the same. Retailers Tesco and Mark's and Spenser, and home improvement and building supply chains Lowe's and Home Depot, have also emphasized offering greener products to their customers, and have set aggressive sustainability goals that impact companies selling in their stores.

These initiatives have influenced product development processes and are instigating competition based on greenness. The desire for greener products touches all types of businesses and has made green marketing an imperative

in B2B sales. We have seen chemical companies trying to help their customers develop more sustainable products, food industry providers focusing on fair trade and sustainably sourced raw materials, and building product companies having offerings that can help customers achieve green building certifications.

Further adding to the necessity to build sustainability into the new product development process is the fact that you are being rated. The GoodGuide allows consumers to scan your product in a grocery store and give a rating of its sustainability performance. NGOs have also gotten into the rating game: The Environmental Working Group has evaluated tens of thousands of products and makes it easy for the growing number of ecologically conscious consumers to choose the most wholesome product for themselves and their families. Socially responsible investment rating systems are considering the impact of products as well.

Robust greener product development programs address customer, regulatory, and stakeholder demands

Regulatory drivers have also caused a shift in product development with the advent of product environmental standards. It started in the European Union with requirements on packaging design and takeback programs for electronic products. Then it moved into restrictions of certain toxic metals, flame retardants, and other chemicals. There have been many new regulatory areas with significant impact on the way business is conducted (e.g., the EU REACH, RoHS, Packaging and WEEE Directives). These product-based regulations have expanded into all regions of the world with the advent of Extended Producer Responsibility regulations, banning of chemicals such as BPA in Canada, California's Proposition 65, China REACH, Korea RoHS, Brazil packaging regulations, and the UN Globally Harmonized system for the Classification and Labeling of Chemicals (GHS), to name a few.

It seems that the regulations keep coming; and then there are the nonregulatory pressures from NGOs that are campaigning against a specific chemical or compound. We have seen effective campaigns against PVC, Bisphenol-A (BPA), triclosan, phthalates, DEHP, etc. Some are based on science and some are not so scientifically based. The thing companies have to realize is that perception is reality, and Risk = Hazard + Outrage. Therefore, monitoring emerging issues becomes a more critical part of a product stewardship program. Identifying these issues and trying to shape them with sound science and dialogue is essential to mitigating risks. One thing is for sure: There will be more of these kinds of pressures on companies in the future.

All these forces add up to it being an imperative to make and market greener products. So what have we learned about how leading companies respond to all these new pressures and customer demands? We have seen that robust greener product development programs address customer, regulatory, and stakeholder demands.

### Best Practices for Making Greener Products

Based on our review of leading companies, there are some common aspects to their greener product development programs. The most effective programs have *top management endorsement*, and they are viewed as a business initiative rather than an environmental program. A case in point is the GE Ecomagination program. GE's CEO frequently mentions this program, and it is evident that this is a company priority based on the investment in R&D (\$10 billion over five years).

Part of the business value of their programs is connecting to the customers' needs by assisting them with their sustainability initiatives. Ecomagination provides cost savings along with the environmental benefits of energy and water reductions. Samsung's CEO oversees their Green Management Committee and they also tie in cost savings of their eco-innovative programs to customers when marketing more energy efficient products like televisions or other electronics. Other companies have built green right into the foundation of their brand to the extent that it is part of the company's mission, like Seventh Generation and Method.

Having third-party involvement in the development and endorsement of eco-innovation programs is also a key best practice. GE developed Ecomagination with the help of the consulting firm GreenOrder, and they have an independent advisory board that includes academics and NGOs. BASF's eco-efficiency approach and tools are verified through two independent third-party organizations: TÜV (German technical inspection and certification organization) and NSF (National Sanitation Foundation). Johnson & Johnson's Earthwards™ process was developed with the assistance of the consulting firm Five Winds International and their review board includes two NGOs.

The use of *scorecards, focus areas, and tools* to help identify the most important product lifecycle steps to improve upon is an important part of developing sustainable products. Examples include the Green Index® environmental rating system used by Timberland, which help developers see a clear pathway to improve a product's environmental performance. Philips has Six Green Focal Areas to make products greener: energy efficiency, packaging, toxic materials, weight, recycling and disposal, and lifetime reliability.

Samsung products are rated through the "Eco Design System (EDS)" and issued an Eco Rating. Products are put into three categories based on their eco grading scheme: Eco-product, Good Eco-product, and Premium Eco-product. Method, Inc. has five key design elements: Clean — effective formulas that work, Safe — people and pet friendly, Green — safe and sustainable materials that are manufactured responsibly, Design — attractive product designs, Fragrance — use of flowers, fruits, or herbs for product scents.

Leading companies have *enterprisewide product stewardship goals* in addition to systems and processes to green up individual brands. These goals

are important in helping the entire organization rally behind and drive further greener product design. Clorox has Eco Goals to generate one-third of growth from environmental sustainability initiatives and make sustainability improvements to 25 percent of their product portfolio. Philips has EcoVision5, which requires improving the energy efficiency of Philips products by 50 percent, doubling global product collection, recycling, and incorporation of recycled materials in products. Seventh Generation has a goal to have all paper packaging contain 100 percent PCR. Unilever has objectives to cut in half the environmental footprint of the making and use of their products, help more than a billion people take action to improve their health and well-being, and source 100 percent of agricultural raw materials sustainably.

Revenue from greener products is also part of some enterprisewide goals; P&G has a \$50 billion cumulative sales target for sustainable innovation products. DuPont wants to increase annual revenues by at least \$2 billion from products that create energy efficiency and or significantly reduce greenhouse gas emissions.

The use of *lifecycle analysis* or lifecycle thinking has been adopted to focus improvements on the most impactful areas. Philips has identified the key lifecycle aspects for each of their product categories to focus on making the most significant improvements. For *healthcare* products, it's reducing energy consumption, weight, and dose; for *consumer lifestyle*, it's energy efficiency and closing material loops (e.g., increasing materials recycling); and for *lighting*, it's energy efficiency.

Method considers life cycle impact through their Cradle-to-Cradle approach. P&G looks at a product's full life cycle (raw materials, manufacturing, and product use) to help identify the most important areas on which to focus. Unilever used lifecycle assessment to identify that the use of hot water during the use of soaps and shampoos is the biggest impact area; this led to their "Turn off the Tap" campaign. This program educates customers to turn off the shower while they lather to make the greatest environmental impacts.

Making all ingredients used in products available publicly has been an activity to which several companies are committed. Transparency helps gain public trust and reinforce the credibility of the company. People trust companies that voluntarily provide more information to them. Clorox is listing all ingredients on product labels for the Green Works® line of naturally derived cleaners while it is not required by law. Similarly, SC Johnson has made a commitment to make their ingredients available. Both Method and Seventh Generation also have transparency commitments as well.

Meeting customers' needs is another key characteristic of a leader in product stewardship. Providing end-of-life solutions for your products is an important way to address customer requirements. This is especially true with electronic products. Apple and Samsung have established product takeback programs to facilitate recycling; Johnson & Johnson has also established electronic product takeback programs.

### Best Practices for Making Greener Products

- Top management support and greener products are part of the business strategy.
- Third-party input in developing design criteria.
- Use scorecards, focal areas, and tools to make it easier for product developers.
- Enterprisewide goals to augment individual brand improvements.
- Use of lifecycle analysis or lifecycle thinking to focus on the most important impact areas.
- Transparency of ingredients used in products to build more trust.
- Meet customer requirements by providing end-of-life solutions for products.

### Best Practices for Green Marketing

The first step toward effective green marketing is to have a scientifically based improved, greener product. In some cases, companies fear making green claims; they think it will backfire because they are not perfect. When addressing this issue, the point I try to emphasize is that *there is no such thing as a green product*. The only true green product is the one you didn't use. Every product has an environmental impact. It takes raw materials, energy to manufacture and transport the product, and there are disposal or recycling impacts. What we need to be focusing on is *greener* products, continuously improving, and continuously reducing environmental impacts. Customers understand that you are not perfect as a company, but they do want to see that you are trying and moving in the right direction.

Customers understand that you are not perfect as a company, but they do want to see that you are trying and moving in the right direction.

Once you have a greener product, there are some common marketing approaches being taken by leading companies. One of the key components to successful green marketing is having an *effective communication method* to make it clear how your product is meeting the customers' needs. Timberline communicates with something similar to a nutritional label that indicates how

the product fares in the areas of climate impact (greenhouse gas emissions), chemicals used (presence of hazardous substances), and resource consumption (use of recycled, organic, or renewable materials). Ecomagination is itself the vehicle of communication for GE. If a product has the Ecomagination designation, it is accompanied by the actual reasons why (e.g., less energy or water use).

Future Friendly is a branded way for P&G to communicate the greener products that they have. A trip to their website ([www.futurefriendly.com](http://www.futurefriendly.com)) offers you tips on how to save energy and water at home; also available are Future Friendly products that can help you accomplish this. Several companies also used their greener product development focus areas to communicate to customers. An example is the SC Johnson GreenList®.

Another effective method of communication is the use of product environmental profiles. Apple maintains Product Environmental Reports for each device. The report informs customers of the impacts in several areas important to them: climate change, energy efficiency, material efficiency, packaging, restricted substances, and recycling. This gives the producer a concise way to inform others about product improvements and demonstrate their commitment to environmental protection.

*Eco-labels* are regularly used by leading companies to add validity to their green claims and make it easy for customers to see that the product is greener. However, deciding on which eco-label to use is not that easy to do, as there are over 300 eco-labels and only a few are actually recognized by consumers. The eco-labels that were most used by the leading companies we studied included the Recycling symbol, U.S. EPA Design for the Environment, Cradle-to-Cradle, Energy Star, Forest Stewardship Council (FSC), Sustainable Forestry Initiative (SFI), WaterSense, USDA Certified Organic, and Fair Trade. So if you think that an eco-label can help your brand, choose wisely. An illustration of good use of an eco-label is Honest Tea's use of USDA Organic, Apple's use of Energy Star, and WaterSense-labeled toilets and bathroom faucets sold at Lowe's.

Individual company-branded greener product lines are being employed by several leading firms. Products can be greened up with incremental improvement or developed as new, greener products from the foundation up. In both cases, it is helpful to bring attention to sustainability characteristics that have been enhanced. Some of these programs have taken on eco-label-like status. Illustrations of using branded programs for products greened from the ground up are the SC Johnson's Nature Source® line of cleaning products based on natural ingredients, Clorox's Green Works®, and Timberland's Earthkeepers™ line of footwear.

The Philips [asimpleswitch.com](http://asimpleswitch.com) logo is a way to highlight products that have undergone eco-innovation and are greened up for better performance. These programs seem to resonate well with B2B customers because they highlight improvements that are meaningful to them, such as energy efficiency, reduced weight, or less hazardous substances. The IBM Smarter

Planet initiative is also a good example of a branded B2B greener product communication program.

*Cause marketing* is an important consideration for a green marketing program—and with good reason too. Despite the prolonged recession, nearly three out of four Americans (72 percent) report that they are more likely to give their business to a company that has fair prices and supports good causes than to a company that provides deep discounts but does not contribute to good causes. (Edelman 2010) Doing good through purchasing products spans the globe; customers care about making ethical choices. There are some great examples of using cause marketing to enhance a brand.

The Sierra Club and the Green Works line of products is one such example. Clorox, wanting to bring greener products mainstream, needed added endorsement to their natural product claims and the Sierra Club did just that. Care must be taken when entering a cause relationship; it must be authentic and must not be perceived as buying your greener product credentials. There must be a nexus between the product and the cause it supports. Haagen-Dazs has a good example in that their natural product ice cream relies on bees for their ingredients. Because there has been a reduction in the bee population, their cause is support of research to save the honey bees.

The final best practice for green marketing is a defensive maneuver, that of preventing greenwashing. Being accused of greenwashing can devastate a brand and bring a hit to your reputation that can be very difficult to overcome. So it makes a lot of sense to put processes in place to avoid greenwashing and ensure that all claims are authentic and do not overstate environmental benefits. Some companies have relied on third-party eco-labels to bring rigor to green claims and defuse greenwashing, such as Cradle-to-Cradle, Energy Star, and WaterSense. Cause relationships with well-known NGOs also help to mitigate false or misleading claims as they must be comfortable with lending their name to a brand.

The other aspect of preventing greenwashing is to ensure that the sustainability claims do not overshadow the essence of the brand. Green claims should complement the key aspects of the brand. Even one of the darkest green companies studied, Method, integrates their green claims with the basics of the product. This is evident in how they communicate about their laundry detergent:

Delivers big cleaning power with just a few squirts. A 35% smaller carbon footprint than conventional detergent, this lightweight pump is designed for easy, one-handed use, made from 50% recycled plastic, it's a lean, mean, stain-fighting machine. (Method 2010)

Notice that the greener benefits complement the most important product features—that is, cleaning power and ease of use.