

Eco-Innovation and Green Marketing: Antidote to Corporate Reputation Blues

by Jacquelyn Ottman

Amidst the current backdrop of corporate scandals, a lagging economy, and growing employee unrest, corporations looking to project themselves as strong, progressive companies possessing both moral integrity and the kind of innovation and flexibility that will propel them financially, have some new weapons: eco-innovation and green marketing. Given current environmental imperatives, they represent the next important stage in corporate environmental management, and hence, corporate reputation management. Corporations looking to regain trust with demoralized employees, investors, and other stakeholders can take steps now to communicate initiatives currently underway that help customers meet their needs with significantly less impact. Toyota and BP provide examples.

Linkages between Eco-Innovation and Corporate Reputation.

The linkages between eco-innovation, green marketing and corporate reputation are many. First, product design is a critical determinant of corporate environmental impact. In fact, it has been estimated that a full 75% of all the environmental impact a product throws off during its lifetime is determined at the design stage, the purview of manufacturers. Second, products and their marketing activities are highly visible to all stakeholders. And finally, new products designed with the environment in mind can excite employees, suppliers and other stakeholders, creating a buzz that signals corporate

responsibility, innovation and the potential to increase topline sales. Let's explore some of these ideas further.

Consumers Judge Corporate Environmental Performance through Products

Roper's annual "Green Gauge" poll shows that Americans' environmental habits and opinions are primarily focused around products. For example, "conserving electricity", "recycling", "reading labels on pesticides and other products for health and environmental safety" top the list of things Americans cite as most likely to do to help protect the environment. Activities such as writing letters to Congressmen and volunteering at environmental groups fall to the bottom.

Consumers are demanding more transparency on environmental issues, as well as on social ones such as labor conditions, and there are benefits to companies with a positive story to tell. According to Green Gauge, the percentage (11%) of respondents who say they now "purchase products from companies with positive environmental records" ("pro-cotting")—has caught up with, and may overtake the number of boycotters who "avoid buying from companies who aren't environmentally responsible."

Investor groups are also joining in the current wave of pro-active, product-related activity. Recently filed resolutions show that Ford and GM shareholders are now demanding that the companies reveal more about the environmental impact of their products and explain what they are doing to make them more environmentally compatible. In the broader market investors are flocking away from mainstream funds

toward socially screened (SRI) mutual funds like Domini, Progressive Assets, and Calvert. For example, according to Lipper data for the first half of 2002 and reported by the Social Investment Forum, socially responsible mutual funds actually experienced a 3 percent increase in assets, compared to a 9.5 percent decrease for the U.S. diversified funds.

This may be only the beginning of consumers keeping a close watch on corporate environmental leadership. The Green Gauge reports that concern about the environment among 18-29 year olds is disproportionate to the total adult population. Those four-foot-tall school-age “eco-cops” who celebrated the twentieth anniversary of Earth Day in 1990 with recycling drives and lessons in backyard composting are now full-fledged voters, shoppers, and members of the workforce— and asking critical questions about the environmental reputations of the products they buy and the companies they work for, and the candidates they put into office.

Reaping the Benefits: Toyota and BP

Two companies who acknowledge the power of eco-innovation and green marketing to bring positive corporate reputation in addition to top line sales, are Toyota and BP.

In a series of moves that harken back to the days when Japanese and German cars stole a march on Detroit, Toyota has beaten its domestic competitors by several years with new automotive eco-innovations that promise to change the way we transport

ourselves. One of the most high profile of Toyota's eco-innovations is the Prius, which, along with Honda's Insight, represents the first commercially successful marriage of internal combustion engine and electric motor technologies, providing consumers with the best of both worlds: extended driving range and super high fuel efficiency. Not trapped by clichéd green marketing attempts marked by the planets, babies and daisies of a decade ago, Prius ads spotlight superior performance and gee-whiz technology, with environmental responsibility as an important, but secondary benefit. The payoff: 100,000 hybrids on the road, 39,000 of which are in the U.S., and the company projects annual unit sales of 300,000 by 2005. Meanwhile, a RAV4 electric car is quickly being snapped up by Budget and other rental cars firms as well as car sharing services such as ZipCar in the East and Flexcar in the Northwest. In doing so, they have discovered that a healthy niche exists for pure electric vehicles: shorter driving distances, emission-free transportation within planned communities, and as feeder vehicles within a larger system of transportation. Most recently, Toyota caught Detroit unawares with the launch of the world's first fuel cell car whose only emission is water.

Seizing the opportunities for corporate leadership that these eco-innovations represent, Toyota is currently running a high profile corporate campaign backed up by tangible examples of specific corporate social and environmental initiatives. One of the most visible executions highlights the Prius. Meanwhile, a special supplemental print campaign touting awards from the U.N, the Sierra Club, and the National Wildlife Federation solidifies the company's position of environmental leadership among the influential green target. Indeed, a cover story on Chairman Fujio Cho in [green@work](#)

magazine this month, and articles about the success of hybrid vehicles in the mainstream business press, suggest critical audiences are responding.

BP's new "Beyond Petroleum" corporate campaign reinforces the image carved out by chairman John Browne as the oil company most outspoken in support of renewable energy resources. Putting its money where its mouth is, BP is one of the largest producers of solar panels, and the company touts significant investments in hydrogen and wind power—and the green community has taken positive notice. The World Resources Institute points out that BP is one of only three companies in the oil and gas sector—along with Conoco and Phillips—who mention climate change in their annual reports. Bold statements in their corporate ads, which get heavy play in the U.S. on TV, in print and on billboards, set BP apart from its competition, who stand in the company's shadows with weaker statements on the environmental commitments.

Critics can claim that eco-innovative initiatives represent only a tiny fraction of Toyota's and BP's businesses, and hence, efforts at communication are premature—even attempts to "greenwash" stakeholders. However, in this writer's opinion, each company has carefully positioned their initiatives as steps along a path—BP specifically states "It's a start"—with sufficient aspirational overtones to quell the criticism of all but the most skeptical of stakeholders.

What Companies Can Do Now

Corporations looking to reap the benefits associated with eco-innovation and green marketing should:

- Ensure that eco-innovative efforts are cocommunicated in all corporate environmental and sustainability reports, as well as responses to questionnaires from such stakeholders as customers and socially responsible investors, and in-house organs; internal as well as external credit must be awarded to these breakthrough products to ignite enthusiasm and fuel additional efforts.
- Make a public commitment to developing more eco-innovative products. Project leadership by striving for nothing less than a long-term, ideal goal of “**zero**”: zero emissions, zero waste, zero environmental impact. An ideal goal of zero environmental impact requires a commitment to continuous eco-innovation. This will ensure that companies will stay ahead of the environmental curve and keep internal stakeholders allied for maximum support. A good example is Toyota’s 2010 Global Vision. It is a policy statement that envisions a new corporate image, while the Environmental Action Plan sets specific technical goals for the future.
- Make sure commitments emanate from the highest level of the company. Toyota’s Fugio Cho and BP’s John Browne are two examples of visible CEOs making exemplary environmental commitments. What better way for a CEO to set his or her company apart from the other companies stepping in scandal than strong statements for a sustainable future?

- Finally, educate consumers about what they personally can do to help. This includes what the writer believes may be the next frontier in corporate responsibility: promoting responsible consumption of products by consumers. Consumers are eager recipients of new information about how their product purchase and behavior can help the environment. According to Roper's Green Gauge, 50% of Americans agree with the statement, "I would do more for the environment, but I don't know how." In educating consumers enlist the technical support and credibility from such stakeholders as educators, community organizations, NGOs, and government bodies.

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