

Motivations of a Systemic Approach of the Innovative Strategies for a 'Green' Product

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Abstract

This article continues to present some considerations regarding an integrated approach of product strategies from a 'green' perspective, from the Specific aspects of the Green Customer Satisfaction, related to Company, Product/service and Price, being part of a larger research of the author. A systemic approach to green innovation is exposed starting from the changes in the marketplace. This approach takes into consideration six dimensions: the organizational dimension, the strategic dimension, the technological dimension, the process dimension, the product dimension and the marketing one.

Key words: *green product, green strategy, green advantage, mix green satisfaction.*

JEL Classification: *M31*

Introduction

The influence of the product quality has represented a main factor for the increase in the organizational competitiveness lately. Improving the quality provides the ability to highly adapt to the shifting of market conditions, due to an increasing level of technical progress.

The main aspects that characterize the current market conditions, as we specified in a previous paper, can be considered as follows:¹

- enhancing competition in the global marketplace;
- increasing consumer requirement, due to technical progress, especially in the ICT sector;
- increasing the requirement of society, related to environmental and quality of life issues; in this regard, new restrictions and regulations on product characteristics and production processes have occurred.

Socio-economic development and environment protection have been recognized as related principles since 1987, when Brundtland Report first enlightens the link between the three pillars of sustainable development: society, economy and environment.

¹ Sima, V., Gheorghe, I., The Opportunity for reconsideration of the organizational managerial attribute-functions system in the context of the sustainable development concept implementation, *Annals of the University from Oradea*, Tom XVI/2007, Vol. I - Section - Management and Marketing, pp. 1186-1189

The increased interest on these real problems can be found more often in marketing and communicating campaigns of the organizations. In this respect, an old concept began to be brought under focus internationally, namely, 'green marketing'. This concept appeared in the United States of America in the late 80's and early 90's and it is relatively new on the local market. It involves the promotion of products with green characteristics. As defined by the American Marketing Association, 'green marketing' is marketing for products that are supposed to be safe in terms of environmental protection.

The concept of 'green marketing' develops from an idea until it becomes a top priority on the agendas of large companies.

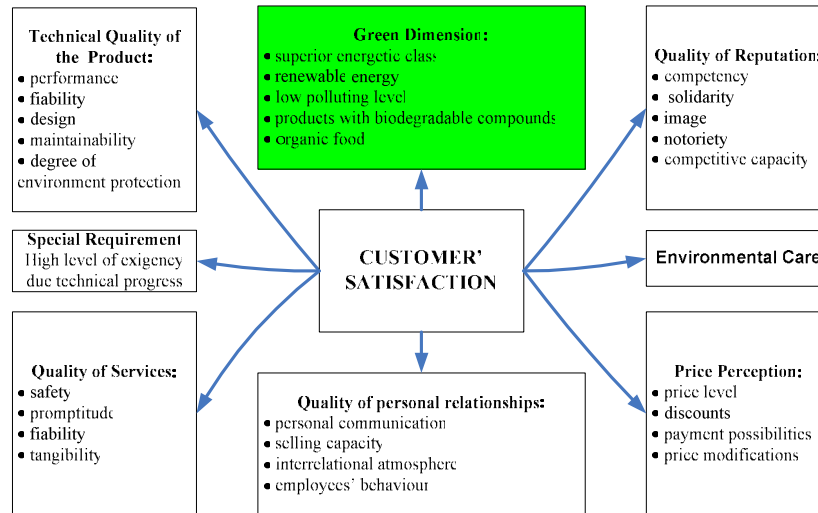


Fig. 1. A new model of customer satisfaction assessment

Source: adapted from (Sima, Gheorghe, 2007)

In this context, the competitive advantage can be obtained, mainly, by actions oriented towards the following issues:

- consumers' confidence in products – depending, particularly, on quality certification;
- consumers' confidence in providers – determined, essentially, by the implementation and certification of a quality management system;
- customers' satisfaction – which is directly related to making a product which meets the customer's demands.²

Sustainable Social Development refers not only to the environment, but it concerns both the economy and human relationships. Welfare and quality of life are essentially determined by a healthy environment. Pollution generated important damage and increased in default costs. These have led the governments to promote a new concept in order to disconnect the economical growth from the environmental degradation, by promoting the eco-efficiency and by interpreting the high environment protection standards as a challenge for innovation, imposition on new markets and business opportunities generation.

As we showed in a previous paper (Figure 1), we proposed that this concept should be improved with two new dimensions, namely, Environmental Care and Special Requirement, essentially supported by the current social-economical environment, because technical progress led to an increasing degree of customers' exigency. The quality of the products represents a main factor for

² Ibidem

the organizational competitiveness because it provides the ability to adapt to the increasingly dynamic market conditions.

Sustainable Social Development provides support for communities to use resources more efficiently, to create efficient infrastructures, to protect and improve the quality of life, which ultimately will strengthen their economy. Consequently, sustainable development can help to create a healthy community which can sustain both the current and the future generation.

From a sustainable point of view, modern organizations need to be evaluated, beyond their economic performances, according to their performances in the sphere of quality and communication policy. Thus, special attention began to be paid to the relations with customers in the business environment. They are seen as an asset that must be kept and taken into account and, why not, ultimately, valued.

However, another trend has been set, too, that is, everything is turning 'green', environmentally friendly. Managers began to recognize the pressure of ecological problem as a serious challenge and, at the same time, a major strategic issue. Although this kind of pressure varies across economic, social, local and national contexts, they become increasingly evident as determinants of change of the competition rules, making existent competencies obsolete, creating new winners, losers and opportunities for niche players.

In recent years, many companies have turned to organic products, packaged as 'natural' or recycled. They concern a growing niche market: *green consumer*. An increasing number of consumers ask for 'green' products. Customers are increasingly drawn to businesses, products and services that are green, organic, natural, clean, and sustainable, because they become aware of environmental issues. An increasing number of consumers (over 20 percent in 2009)³ say that 'buying green' is important to them. In this respect, we consider that 'the utilization of the specific methods, techniques and instruments requires a new approach of the dimensions of the evaluation model for customer satisfaction by including a new one, called by us, *The Green Dimension*' (Figure 1)⁴.

Green Product Strategies

Green Satisfaction

In recent years, corporations have imposed trends in terms of environmental initiatives. More and more small and medium companies are interested and actively participate in eco-friendly operations. Being 'green' has become a business plan itself. The 'green' Competition is becoming increasingly evident. Each company tries to move forward in order to gain a larger share of the market. Moreover, a wave of interest from consumers for the ecologic issues is more obvious. Because of this, managers realized that eco-methods of production and environmental protection can have values of profitability, too and not only of admission to legal regulations and standards. As regards customer satisfaction, referring to the *green satisfaction*⁵, we observed that, at the Product/Service level, consumers are looking, especially, for specific 'green' issues. These issues can be assigned individually and also simultaneously into three categories, namely: environmental issues, personal benefits and social factors, as we have shown in the diagram below (Figure 2):

³ Green Report, *Green Index 2009. Consumer choice and the environmental. A worldwide tracking survey*, available at: <http://www.green-report.ro/studii/national-geographic-society-greendex-mai-2009>

⁴ Sima, V., Gheorghe, I., „The 'Green Dimension' of Customer satisfaction”, *The 11th IBIMA Conference, "Creating Global Economies through Innovation and Knowledge Management"*, Kuala Lumpur, Malaysia, June 2009, pp. 1638-1641

⁵ Ibidem

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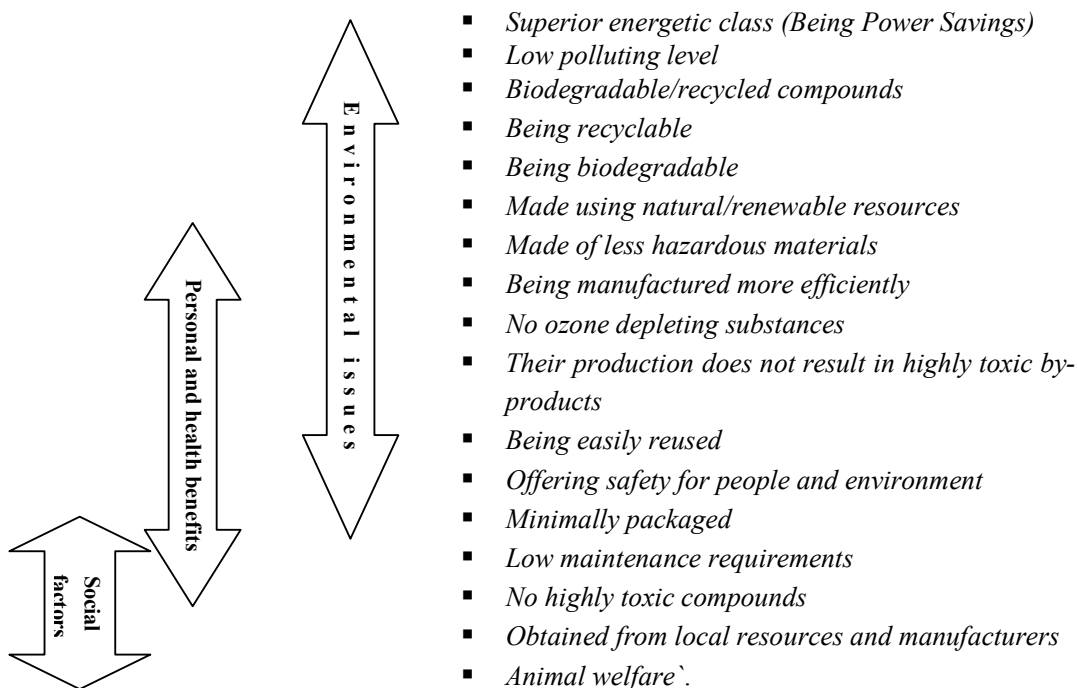


Fig. 2. Green Satisfaction Sources

Source: (Sima, Gheorghe, 2009)

I had in sight the conclusions of the study, 'Capturing the Green Advantage for Consumer Companies' presented in January 2009, by the U.S. consultancy Boston Consulting Group (BCG), which advised companies on how to respond to consumer expectations regarding green issues and how to reach their business goals at the same time. At the end of the study, the authors offered ten tips, divided into four dimensions, by whose application organizations can meet the requirements of environmental and consumer protection, achieving their business goals, too. The four dimensions are: *Planning, Processes, Products, Promotion*⁷.

'In our opinion, the green products and services are designed, manufactured/realized, priced and promoted by people for people. Starting from this reality, we believe that, into a holistic approach of the green satisfaction, people and their dual capacity as producers and consumers should be taken into consideration.'⁸

⁶ Sima, V., Gheorghe, I., Op. Cit., p. 1638-1641

⁷ The Boston Consulting Group, Creating People advantage 2008, available at: http://www.bcg.com/impact_expertise/publications/files/Creating_People_Advantage_Summary_May_2008.pdf [retrieved on 4th May 2009]

⁸ Sima, V., Gheorghe, I, The Green Strategy Mix – A New Marketing Approach, *The 13th IBIMA Conference on Knowledge Management and Innovation in Advancing Economies, Analyses & Solutions*, Marrakech, Morocco, 9-10 November 2009, pp. 1344-1347

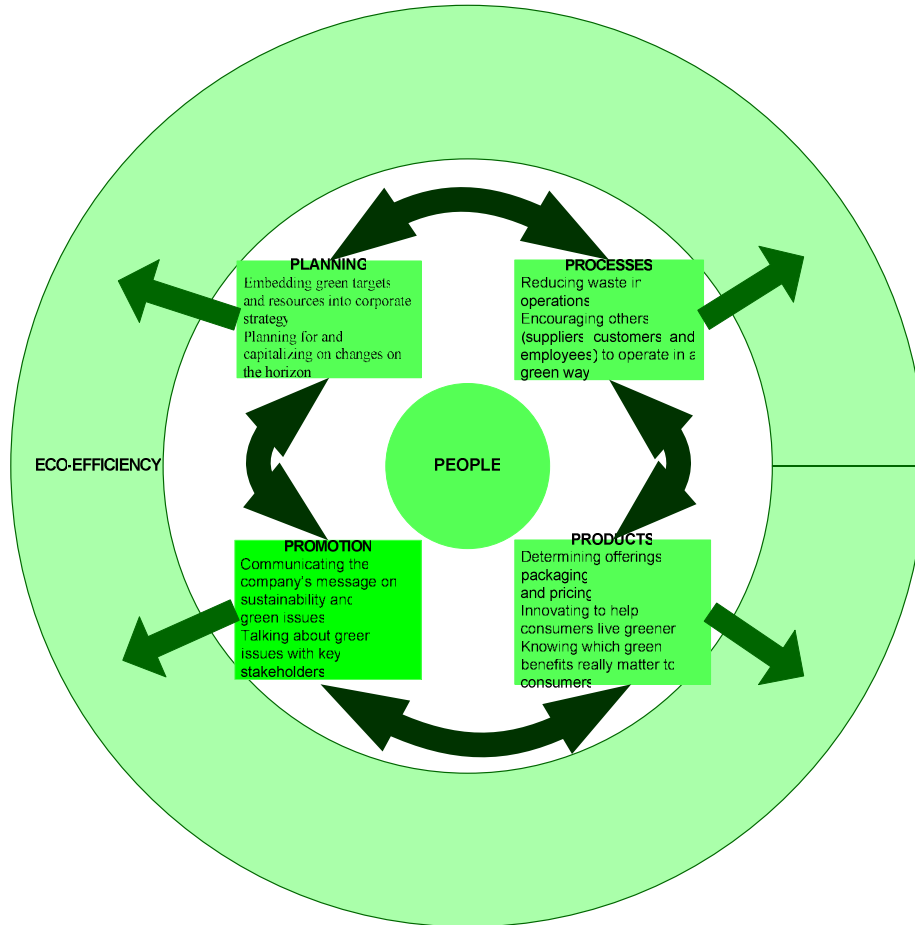


Fig. 3. The 'Green Strategy Marketing Mix'

Source: (Sima, Gheorghe, 2009)

Therefore, we stated that 'in a complex, holistic approach, the strategic mix can be enhanced'. In this respect, we identified six dimensions of the green strategies of the companies (Figure 3). We called them The Green Strategy Mix (5P+EE). The six dimensions are:

- Planning Strategy;
- Processes Strategy;
- Product Strategy;
- Promotion Strategy;
- People Strategy;
- Eco-Efficiency Strategy⁹.

Green marketing obvious assumption is that potential consumers will see in the 'green' product an additional benefit and they will adjust their purchasing decisions accordingly. Moreover, the trend of the EU countries, and even to us, is to notice what they look like and what is with the product. It remains to be seen to what extent consumers are willing to pay extra for a green product. Currently, we are witnessing a trend of consumption. In this respect, consumers are more sensitive to the environmental impacts of products and to their health, too, and this trend will certainly increase in the years to come.

⁹ Sima, V., Gheorghe, I., Op. Cit., pg. 1344-1347

A Systemic Approach to Strategies for Green Innovative Products

Companies should enhance their strategic mix taking into consideration: green planning, green processes, green product and green promotion. To this aim, we tried to present a systemic approach of green innovation, starting from the changes in the marketplace.



Fig. 4. A systemic approach to green innovation

This approach has to take into consideration six dimensions: the organizational dimension, the strategic dimension, the technological dimension, the process dimension, the product dimension and the marketing one. In Figure 4 we presented a proposal for such an approach.

The Organizational Dimension

A continuous improvement of organizational culture can represent a main source for obtaining competitive advantages. In this context, improving the efficiency in the bottom line and the internal relationships could and should be a good response to the actual economic change. This means continuous effort to improve the organizational climate and productivity of the core business in response to the continuous changes in the marketplace.

The Strategic Dimension

The business strategy for sustainable development aims to achieve growth both in topline and bottom line.

Another main source for obtaining competitive advantages could be represented by the implementation of a durable corporate strategy. A durable corporate strategy involves:

- highlighting of the major investments concerning innovation and new products design, at internal level;
- watching to the emerging markets and technologies, at external level, in order to create green advantages.

The Technological Dimension

The challenge for companies is to innovate without resources waste and harmful effects upon environment. Raising the environmental parameters at the level of conception phase of the products', processes' or activities' conception must be effective, so that environmental parameters should become business opportunities.

The modifications of the actual procedures must focus, in Romania too, upon the following requests:

- Modifications of the product, process or activity specifications;

- A Life Cycle Analysis attainment in order to identify weaknesses;
- The setting up of Guides for Eco-Design.

The requirements contained in Directive 2005/32/EC of European Parliament and of the Council of 6 July 2005 must be respected in order to establish the framework for definition of the requests for eco-design for Energy using Products (EuP). This Directive, which establishes the eco-design parameters of EuP, specific requests for eco-design, requests regarding information, manufacturer, Community Eco-design mark, will be followed up by an implementation plan according to which products and their confirmation terms will be identified.

The Process Dimension

This dimension must have in sight addressing the ever-changing needs of current customers and keeping cash flow healthy. Cost-cutting efforts can build the bottom line. Obtaining organic products will not always bring competitive advantages, especially since such production requires important financial resources. The *'green' cost* need to be covered by *'green' profit*.

The Product Dimension

An innovative 'green', product-orientated strategy should have in sight the following issues:

- Focus on green issues throughout the complete value chain;
- Targeting primary results to build stimulus, credibility and motivation;
- Setting green goals;
- Making sure that potential consumers understand why the green product that is offered is superior to all the others;
- Getting the pricing right.

Compliance with these requirements will result in achieving the principle *'the greener, the better'* to a greater extent.

Marketing Dimension

An innovative 'green' oriented marketing strategy should be focused on the following:

- Top-down orientation of green direct efforts and purchasing from the key stakeholders;
- Consistency, necessary to obtain credibility;
- People Strategy, particular interest focused on each person;
- Looking for 'green' employees who have high social consciousness for marketing activities, product design activities, PR activities, and sales activities, because these departments represent the interface of the company. To educate consumers who are hungry for environmental information;
- Consumers education, as they are always looking for environmental information;
- Long-term orientation, because there is a trend that the 'green orientation' of the opinion leaders seems to become permanent. At the same time, children represent potential future customers, in the context of the requests of Sustainable Human Development.

Addressing an innovative marketing strategy to promote green products will be a key factor in reorienting production towards green products, with significant impact on the efficiency of sustainable human development in general.

Conclusion

The strategic goals of customer satisfaction model leads the current society to take into consideration the green dimension. This leads to a trivalent organizational development: economic, social and ecological.

The development model, based on the green dimension, in turn, requires a move towards low polluting production model, the so-called 'cleaner production'. This, in turn, will lead to the development of the green dimension, depending directly on the strategic objectives of the market.

Recent studies upon the impact of the current type of development on sustainability and economic growth, demonstrate that the current human existence is incompatible with the natural regeneration of the planet. Basically, the current population is in conflict with the natural regeneration, that one year of usage requires 1.5 years for their own recovery (regeneration). Therefore the present study is a plea for stopping natural trends and, why not, for building a development system based on the balance of development. In the given context, a new systemic approach to innovation could be *a green solution*.

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Motivații pentru o abordare sistemică a strategiilor inovatoare dedicate produselor verzi

Rezumat

Acest articol continuă prezentarea unor considerații cu privire la o abordare integrată a strategiilor de produs, dintr-o perspectivă „verde”, a unor aspecte referitoare la Satisfacția Ecologică a Consumatorilor, aspecte specifice ale satisfacției așa-numiților „clienți verzi” - legate de companie, produse/servicii și preț. Lucrarea face parte dintr-o cercetare mai amplă și prezintă o abordare sistemică a inovării verzi, începând de la schimbările care se manifestă în piață. Această abordare ia în considerare șase dimensiuni: dimensiunea de organizare, dimensiunea strategică, dimensiunea tehnologică, dimensiunea de proces, dimensiunea de produs și dimensiunea de marketing.