

PRODUCT POLICY MANAGEMENT AS PART OF SUSTAINABLE MARKETING STRATEGY

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Abstract

The product as an element of the marketing mix represents the primary mechanism through which value is provided to the consumer. If we add the fact that it is precise decisions related to product design that determine the types of resources, production processes, and the nature and type of future flows of waste, it is clear that product policy management is a key issue in sustainable marketing strategy.

The purpose of the present study is to analyse and discuss the key elements and prerequisites of green products and the issues in green product policy management with the goal of contributing to sustainable marketing strategy effectiveness. Marketing managers in the modern marketing environment must consider all of these issues because in the near future embedding the elements of sustainability into business processes will no longer represent the source of competitive advantage, but the precondition of competitive parity on the global market.

Keywords: *green product, product policy management, marketing mix, sustainable marketing strategy.*

JEL Classification: E2, L23, M3

1. INTRODUCTION

The strengthening of consumers' environmental awareness is often considered the greatest opportunity, since the industrial revolution, for the rearrangement of forces on the market, innovation and the introduction of new technologies. Actually, these are the changes which represent, at the same time, an opportunity and a threat for economic entities. It is clear that those wishing to capitalize on these changes must adjust all elements of their marketing program. In addition, it is also necessary to adjust other business processes of an economic entity which have been, so far, mostly outside the domain of consumers' interest. In this sense, a specific marketing mix can be identified within the sustainable marketing strategy.

For the products on the contemporary market, acceptable price and confirmed quality are no longer an adequate prerequisite for finding their way to the consumer. Increasingly growing ecological awareness has placed demands before producers for making products that meet high ecological standards. Therefore, we can say that the environmental acceptability has become "added quality" to the product.

The product as an element of the marketing mix represents the primary mechanism through which value is provided to the consumer. Decisions related to product design determine the types of resources and production processes which are going to be used. These decisions also determine the character and the type of future waste flow. That is the main reason why product design and product policy management represent the key point in sustainable marketing strategy. (Fuller;1999,172).

2. GREEN PRODUCT CONCEPT AND ITS CHARACTERISTICS

An environmentally friendly product is a type of product that balances three dimensions: technical features, price acceptability and compatibility with envi-

ronmental protection. In other words, market entities are facing the challenge of creating a product that will satisfy consumers' needs and wants, including environmental protection in a way that the product, its usage and the waste created after its usage, do not cause pollution or that its environmental pollution is minimal. (Grbac et al., 2008,115). For products that meet the above mentioned conditions, in theory and practice, the conventional term is "green products".

According to Ottman, the term green product usually implies a more durable product which does not contain any, or a minimum of toxic substance, is made of more types of recycled material and has less wrapping material. (Ottman;1998,89). Green products have positive ecological features embedded during decision making about the product design. These features represent operationalized P2 (pollution prevention) and R2 (resource recovery) strategies. These strategies affect production, the material from which the product is made, how it works, how long it lasts, how it is distributed and how it is disposed. (Fuller;1999,172).

The concept implied under the term of green marketing in marketing practices covers the range from green brands that include ecological characteristics in all product life cycle phases to the conventional products that contain any kind of improvement related to the ecological friendliness of the product itself or some of its parts (e.g. packaging). Franjić et al. state that the green product is green if it satisfies consumers' needs, if it effectively uses energy and resources and if it is socially acceptable due to the fact that neither the product or its producer endanger flora, fauna and human habitat and its usage and disposal does not harm human health and the environment. (Franjić et al.;2009,253)

When it comes to green marketing, it is not only necessary to consider product features and its environmental influence before, during and after its usage. It is also important to consider other processes and company policies which are directly or indirectly related to that product. According to the previous statement, green product characteristics can be classified in two general categories:

1. Characteristics related to the ecological and social influence of the material product itself. The main challenge in product management is emphasizing the destiny of the product after its usage. Improving the ecological performances of the product after its usage can be achieved through modular design approach, quality post-product services or product collecting systems after its usage.

2. Characteristics related to production processes, policies and practices of the producer, i.e. fair trade products, organic food products, recycled paper and cruelty-free cosmetics. (Peattie;2008,577-578).

It is also necessary to point out the dynamics, i.e. variability as the attribute of both of these characteristics. The development of a general level of awareness about ecological issues and its representation in legal and other regulations led to certain changes in the list of possible green characteristics. For example, what was once considered as a green characteristic of a product (e.g. spray that doesn't contain CFC gas) now is considered only a compliance of legal regulations or industry standards. On the other hand, using a specific synthetic material in the production process, instead of a natural one that comes from endangered species, can be considered a green characteristic of the production process. Ecological characteristics mentioned above are in most cases intangible, invisible and of secondary importance to the consumers. Those characteristics don't reflect key benefits as a primary reason for buying a product, they represent long-term eco system needs that will be reflected to the consumers in the way of improving their life quality. The need for short term oriented consumers education about long term benefits that result from ecological characteristics, represents one of the main challenges that sustainable marketing deals with. (Fuller;1999,131-132).

When it comes to green product characteristics, the importance of product durability is growing. We can say that most products these days exist only as partially durable products, and creating more durable product variants can be an important part of green marketing strategy. For example, Agfa Geveart changed its policy from selling photocopiers to renting them with full additional service. This led to significant product redesign focused on durability and resulted with extending the product life cycle from less than 3 million copies to more than 100 million copies. For marketing executives this represents a significant change of previous strategies because it results in a significant product replacement rate decrease. Thus it requires a change in strategic direction from sales to renting and complementary product and services marketing. (Peattie;2008,576).

Green product failure can be the result of a mistake or marketing myopia in product policy management or in any of the other marketing mix elements, but it can also be the result of their inadequate combination. Definitions and green product characteristics stated above indicate that product policy management is an extremely complex process which is interdependent with other marketing mix elements as well as with other company's business departments.

3. GREEN PRODUCT POLICY MANAGEMENT

On average, about 70% of a product's adverse environmental effects are embedded in product design or production process. That is why companies must integrate ecological characteristics in products and processes in the initial phase of new product development along with a quality concept. (Polonsky;2001,23). Efforts for developing new "clean" technologies and products have been more present lately than efforts for reducing adverse ecological impacts of the existing ones. Including ecological performances as factors in a new product development process is known as the "Design for environment" concept, and it represents the process of integrating ecological criteria in the procedures of product design and production process. These processes result in products that have different levels of ecological performances. Peattie points out some of the issues that should be considered: Which social and ecological issues are relevant for this product? What is the weight of each individual influence? Should influences along a supply chain be considered and if so, how far into the supply chain? Apart from the production process, should the usage and disposal of the product also be considered? (Peattie;2001,133).

This shows that establishing relative ecological performance measures can be extremely complicated. In other words, it is hard to differentiate and professionally claim that one product is greener than the other. It is also important to point out that characteristics which determine whether the product is green or not depend on the product category, on where, how, for what purpose, how often it will be used and who will use it. For example, it can be said that fluorescent bulbs are green products because they save a significant amount of electricity. However, if eco-bulbs are used in lamps that are often turned on and off, their lifetime will be reduced and by the end of their lifetime they will be able to save less energy than it was used to produce them. This means that regular light bulbs represent an ecologically acceptable alternative. A specific product can influence different social and ecological issues, but changes in the product itself and its production process don't necessarily have the same influence on different issues. In that case, it is often common to resort to an optimization approach in a way that issues with greater weight (importance) receive greater priority. Defining relevant issues as well as their relative significance is not even remotely easy and it has to be continuously thought out and revised.

Environmental protection is present in all product lifecycle phases, and includes numerous sub-issues like preserving natural resources, energy efficiency, natural habitat protection, endangered species protection etc. Companies that decide to implement green marketing through all product lifecycle phases must consider issues related to: supply and processing of raw materials, production and distribution, packaging and product usage, issues related to the product after its usage and issues related to its disposal. (Marušić;2003,45). Therefore, product policy management in green marketing represents integration of ecological acceptability in each of the life cycle phases with a special emphasis on the phase of creating an idea about a product where the most ecological influence is being reduced. As it has been stated, lately there have been tendencies to create completely new products and technologies because in that way it is possible to achieve a significantly larger positive influence on the environment than improving existing products and adding ecological characteristics to existing product characteristics.

Ecological acceptance of the product can be estimated on the so called “cradle-to-grave” analysis which accounts for energy, the amount and the type of material spent on production and the packaging of the product; transportation activities related to supply and distribution of the product; process of consumption of the product and the process of its disposal. (Wagner;2003,24)

This kind of activity analysis in the whole product supply chain is also called impact analysis and life cycle analysis. Life cycle analysis is an important and one of the most used patterns or concepts for evaluating the total ecological impact of the product on the environment. Thereby, one of the main challenges for the marketers is estimating the analysis range inside of the supply chain, i.e. how far forward or backward along the supply chain should they go and how many branches of the supply chain these analyses should include.

In order to incorporate ecological characteristics compatible with needs, wants and expectations of the consumer in the initial phase of product development, companies can use the following product research methods: focus groups who reveal problems/issues (they are a good base for planning further researches and planning the program), consumer research (reveals attitudes), opinion researches (they establish awareness and perceptions), contingent analysis (estimates willingness to pay), conjoint analysis (discovers consumers' preferences and willingness to pay premium), market testing and simulations (they reveal behaviour and are good for testing the packaging). (Holt & Holt;2004,66)

In the phase of creating an idea about a new product, besides establishing the previously mentioned needs, wants and expectations of the consumer, it is also necessary to perform a quality market analysis in order to gather information about all types of ecological products present on the market; does the competition offer the same or similar products or services? Which are benchmarking characteristics that should be considered while generating ideas? Which are potential threats (fast developing technology, a sector that doesn't provide enough data, etc.)? When it comes to the consumers' attitude, it is important to point out that the approach of evaluating consumer satisfaction is being progressively modified. Namely, the consumer can have either a negative or positive attitude towards the product, which is the result of conditions and the way that product was created. A negative or positive attitude towards the product can also be formed during its consumption as well as after its consumption. (Grbac et al.;2008,109)

The importance that consumers give to ecological characteristics of the products and the producers is different in individual product categories. Food products are usually the leaders in this list, which is expected considering they have a significant effect on peoples' health and well-being as well as the well-being of their families. This is confirmed in the research conducted by the authors in 2011. (Ham;2012)

Table 1: Frequency of purchasing various green product categories



Source: Ham, M. (2012), Ekološka svjesnost potrošača kao čimbenik daljnjeg razvitka marketinga, Doctoral thesis, Faculty of Economics, Osijek

Table 1 shows that when buying green products, people mostly buy organic food, while cosmetics, electronics and lighting products are less represented. Detergents are right behind organic foods, which suggest health awareness, given that both of these categories are related to their influence on health.

It is also important to mention product packaging as a specific problem that requires great attention in product policy management. It is additionally emphasized in green marketing for several reasons. The first reason lies in the fact that product packaging has a large share in the total waste in industrialized countries, and also that packaging represents a significant part of product influence on the environment. The second reason is the relative simplicity of adjusting packaging to ecological requirements. In other words, it is considerably simpler (and less risky) to reduce the amount of products or changing the type of packaging material than it is the case with other interventions related to product that generally cause higher costs and demand a long-term approach. For the above reasons, packaging represents a starting point from which the product and its producer start their way towards satisfying the ecological demands of the consumers.

The above mentioned is confirmed in Crane's research, which showed that packaging represents the first aim in going green for most of surveyed companies, both in terms of reducing the amount of packaging and re-using or recycling transport packaging. In most cases this led (apart from environmental benefits) to savings, i.e., companies treated these changes as a win-win situation. (Crane;2000,123) Besides modifying packaging, it is possible to organize its collection after the product is used. This could imply some larger investments because it is necessary to ensure efficient infrastructure for collecting (so that consumers' efforts could be as small as possible). Besides that, it is necessary to educate consumers and redesign the production system or its parts so that re-usage or recycling of the packaging could be enabled.

There are numerous examples of successful re-use packaging systems. However, the example of Sony shows that caution should be exercised. Sony tried to introduce the system of taking over TV packaging after delivery and its re-usage. This caused a negative reaction in some consumers because they thought that the product in this packaging is also being re-used. (Peattie;2008,578)

4. CONCLUSION

For all the strategic advantages of sustainable marketing strategy to be realized, it is necessary for a company to question the very basis on which the mission, vision, strategy and goals of the company stand.

The product is the element of a marketing mix through which a company provides value to its consumer. If we add the fact that it is precisely the decisions related to product design that determine the types of resources, production processes, and the nature and type of future flows of waste, it is clear that product policy management is a key issue for sustainable marketing strategy. In order to emphasize the fact that every product has a certain effect on the environment, it is often figuratively said that the only product that is completely green is the one that does not exist. Namely, in production and during the transport of every product, energy is used, by-products are created and after the disposal, waste is generated. Hence, we can conclude that a green product represents a relative category which consists of products with less environmental influence than their alternatives.

Green products are strongly exposed to the dynamics of changes which result from recent scientific discoveries and changes in main environmental issues. Thus, a product which is today considered green because it saves electricity can tomorrow be considered ecologically unacceptable if it is discovered that a certain substance generated during its decomposition is toxic to people, animals or plants. It is also possible for a company which invested in a new plant for producing phosphate-free detergents ten years ago to get exposed to criticism today for producing a large amount of carbon dioxide that causes greenhouse effect, global warming or disastrous climate changes, which are some of the most important environmental issues today.

Marketing managers in the modern marketing environment must consider all of these issues because soon embedding the elements of sustainability into business processes will no longer represent the source of competitive advantage, but the precondition of competitive parity (the prerequisite for a product to even be considered for inclusion in distribution channels and in consumers' decision making process).

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