

Lean, Clean, and Green Business: An Examination of the Millennial Consumer's Perception of Corporate Environmental Practices and Green Marketing Tactics

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This article aims to add to the understanding of the corporation's role in sustainability through the specific lens of the Millennial consumer. Millennials possess \$170 billion in purchasing power and will become the most impactful generation on the economy and the environment in the coming decades. Understanding what efforts resonate the most with this key stakeholder group is critical. Further, marketing tactics and standards are examined. A need exists for authority and standardization in marketing green products, such that they are legitimized, not green-washing, and easy to understand for potential consumers. Several propositions are developed, and managerial implications and conclusions are advanced.

Keywords: millennial marketing, environmental practices, corporate social responsibility

INTRODUCTION

Concern for the environment is not a novel idea. Various rules and regulations for being stewards of the Earth can be traced back to ancient times and are documented in early literature, such as the Bible and the Koran (Smith, 2010). The enthusiasm for the care of the Earth has transformed from ancient man through the times of the tree-hugging hippies, into the present of the eco-conscious Millennials of today. Though the concept of taking care of the Earth is old, the problem seems to be ever-so-urgent in today's day and age. With reports of the ice caps melting and the sea levels rising, many are looking for simple action items to implement to make a difference.

Although individuals are looking to do the small things to help personally, large, multinational organizations are more capable of influencing positive change for the planet. For example, each year, Americans plant 6 trees for each used tree, totaling more than 1.6 billion trees. Of these trees planted, corporations are actually responsible for the planting of more than 750 million of them (The Bugwood Network, 2018). The vast number of resources available to a large organization enables a corporation to have a larger impact than individuals. Because of this, it seems as if corporations play a key role in the fight to stop global climate change and preserve the Earth.

The traditional Friedman economics of prioritizing the bottom line has evolved into the triple bottom line approach, a more ethically minded version of doing business, emphasizing people, the planet, and

profit. However, corporations are in the business of making a profit for shareholders. The focus on people and the planet cannot overshadow the focus on profit, the variable that keeps the corporation afloat. The ideal situation would present itself in a world where businesses could attract new customers and retain them, generating profits through their socially focused efforts. This would capitalize on the strength of the corporation by utilizing individuals' desire to do what they can to help the world. Patagonia is a very successful outdoor clothing company that has worked to achieve just that. Patagonia supports grassroots environmental movements and has refined their supply chain to minimize their negative impact on the Earth. With this, the company supports the "Worn Wear" initiative which encourages customers to keep their clothing for longer periods, and the business provides support and repair services. This is all in an effort to decrease Patagonia's use of the Earth's resources, even if it means selling less clothing. Their simply stated mission is that they are "in business to save our home planet" (Patagonia Inc., n.d.). Consumers have responded well to this mission, as Sirtori-Cortina of Forbes (2017) has estimated the value of the eco-conscious company to be around \$1 billion.

Data shows that a consumer-organization partnership focusing on environmental change has the potential for great success, as over 75% of people surveyed in developed nations claim to be concerned about the environmental situation (Ríos, 2001). Results that are even more promising reveal themselves when examining Millennials in particular. Recent studies have shown that 64% of Millennials would be willing to pay more for a product if the company producing that product was contributing to an environmental cause (Gaudelli, 2009).

"Due to the massive number of Millennials and their pervasive use of new technology, [they] are changing the way businesses and marketers do business" (Smith, 2014, p.2). One of these shifts in business practice centers around Millennials demanding that firms mitigate their environmental impact. In this current business landscape, Millennials are using their \$170 billion in purchase power to support ethical and environmentally conscious companies (The Case Foundation, n.d.). Furthermore, some Millennials are just beginning to enter the peak spending age of 35-44, with a similarly high spending age of 45-54 approaching in the future (The Atlantic Monthly Group, 2019). However, for a corporation to effectively capture the great potential of the market of environmentally conscious Millennials, two key questions must first be answered.

Research Question 1: Which Environmental Business Practices Create the Biggest Impact on the Millennial Generation?

This question investigates if certain environmental efforts appeal more to Millennial consumers in comparison to other environmental efforts.

Research Question 2: What Are the Best Marketing Tactics for Communicating the Environmental Practices that Companies Are Pursuing?

The second question is more focused on examining the wording, tone and imagery associated with the ecological practices of the brand that Millennials best receive.

Essentially, these questions aim to decipher how environmental concern affects a Millennial's purchasing decisions. With that, researching these questions will reveal how companies can use this information to maximize their profits through environmental efforts and the ensuing marketing strategies. From this research, a greater insight into the practical business methods behind maximizing the triple bottom line, a more ethical corporate focus on people, planet, and profit, will be achieved. This research highlights the purchasing decisions of Millennials with an emphasis on how "green" marketing affects decisions. Managerial implications of this research include achieving a greater understanding of how to successfully gain and retain Millennial consumers through impactful environmental efforts.

This paper proceeds with an examination of current literature surrounding the stated research questions. Relationships between practices and impact will be examined, followed by exemplary tactics that resonate with the target market, millennial consumers. From this literature review, propositions are advanced which

can be examined in a subsequent empirical work. Results of this research challenge corporate efforts to gain millennials' business and employment, which will lead to sustainability for businesses and the environment. Finally, we end with a conclusion, future research, study limitations, and managerial implications.

LITERATURE REVIEW

Just one hundred companies have created 71% of all human-generated greenhouse gas emissions since 1988 (Riley, 2017). These firms have impacted how the rest of the world operates in the struggle to deal with the environmental crisis. If organizations have the power to negatively impact our world, they must have the power to positively impact the current environmental crisis. The research cited in this section focuses on implementing organizational efforts toward environmental change and their impact on Millennial consumers through various marketing tactics.

Organizational Efforts Towards Environmental Change

A compelling article by Katherine Smith (2014) advances the notion that an environmentally conscious company is associated with increased financial performance, more creativity and innovation, and improved competitive standing. Because of this, it is obvious that organizational efforts should, at least partially, be focused on environmental change. This is especially true when consumers are more loyal to environmentally friendly products (Smith, 2010). However, many factors influence the magnitude and consistency of the environmental efforts of a firm. External pressures for companies to implement environmental business practices result from governmental and legal regulations, and the maintenance of the status quo among competitors (Sarkis, 1998). Yet, organizations are also impacted by whether they are a private or publicly held firm. "The argument is that corporations and their executives are employees of shareholders and thus are to act on behalf of their owners, who may or may not have environmental objectives" (Woolverton, 2010, p.91). This creates a predicament when the motives of the shareholders and executives clash. The ideal situation would arise where the owner's and the shareholders' objectives are aligned, allowing the company to implement green initiatives while satisfying all parties. Many firms have environmentally conscious terminology embedded into their mission statements. However, it is unclear if investors acknowledge the weight of the language of the mission statement when selecting companies to invest in. Typically, investments are made to gain a positive return on investment from a financial perspective. The mission statement may be overlooked as an indicator of financial gain in attracting customers through a focus on social concerns. Perhaps this perspective will evolve, but in the short term, investors appear to be investing in their traditional profit-maximization approach.

The intent behind green efforts of organizations depends on the organization. Some green efforts are a product of cost-saving strategies, and some are a result of the firm's consideration of the externalities of its actions (Woolverton, 2010). However, once the interests of all parties are satisfied, an organization can go about implementing their environmental efforts through a firm- or product-level effort. Some examples of environmental business practices are considering the types of materials used, the recyclability and the reusability of materials, the amount of energy used and efficiency of the product, and easy disassembly (Sarkis, 1998). An example of a firm-level claim is an organization communicating that they have reduced carbon emissions by 50% since 2012. A product-level claim is seen in the "greenness" of the actual product, such as a biodegradable soap with reusable packaging. The firm-level claim carries few implications for the product as a chemical pesticide company could claim that they are 100% digital in their offices, cutting their usage of paper. However, the pesticides they are selling are still harmful to the Earth. The opposite could also be true, where a company that sells a "green" product uses extremely wasteful office practices. The environmental business practices of a firm are a great start to fulfilling the consumer demand for green business. However, more clarity must be provided to consumers as they make their educated purchase.

The solution to this confusion lends itself to a situation where the firm as well as the product are centered around sustainability. An example of this would be when companies earn the Leadership in Energy and Environmental Design (LEED) green building certification, a very reputable standard within the

building industry. The LEED certification is the most popular green building certification in the world, as it supplies a framework to create efficient, cost-saving buildings (U.S. Green Building Council, 2019). Organizations that are LEED certified are verified to be “green” businesses that produce green products. Consumers can be confident that work that is LEED certified is sustainable and green. Since environmentalism is still a relatively new topic in business, credible institutional efforts are still forming. The more that they evolve over time, the more legitimacy will be assigned to the environmentally conscious firm.

Retailers are also aware of issues with identifying a company’s green initiatives. Corporations like Wal-Mart have developed an effective solution. To combat this issue with self-regulation, Wal-Mart has created its sustainability index (Walmart Inc., 2019). Through Walton’s work with the Sustainability Consortium, an independent nonprofit, a manufacturer questionnaire has been developed that decides whether a certain product will carry the Walton sustainability badge in any Wal-Mart or Sam’s Club store (Walmart Inc., 2019). The corporation is implementing this so that customers can identify which products are sustainable, making it easier to support the green initiative while enjoying a low-price guarantee. The influence of a powerhouse corporation like Wal-Mart is incredibly widespread, so this effort may result in retail support within the green business sector. This will not only help the planet but also satisfy the green consumers searching for green firms.

Exemplary Green Marketing Tactics Toward Millennials

Forty-seven percent of Millennials would pay more for environmentally friendly products, and 77% of those Millennials cite the reason as ‘because they care about the environment’ (Smith, 2010). In addition, over 50% of Millennials sometimes try to buy green products, with 10% often making an effort (Smith, 2010). Consumers searching for environmentally conscious firms must be aware of an organization’s environmental efforts before they can support that organization. Millennials represent a very strong segment of the environmental consumer demographic. Perhaps this is because Millennials are the highest educated generation about the importance of ecological and environmental conditions, learning most of their information online (Gaudelli, 2009). Yet, although green products are often positively received by most Millennials, it is not often that retailers effectively explain and advertise their ‘green’ message. In a recent study by Janice Gaudelli (2009), 50% of Millennials could not recall a brand supporting the green movement. There are many ways that a brand can communicate its green initiatives. However, for brands to be most effective, they must target their marketing efforts toward the generation most likely to value it, Millennials.

The use of strong mission statements is a viable alternative to traditional advertising and the threat of *green noise*, a situation in which consumers are overwhelmed with messages about how to correctly support the green movement (Woolverton, 2010). Mission statements summarize the firm’s core values and mission, which is readily available to consumers and often featured in ad campaigns. This is an ideal way for concerned consumers to concisely seek out information about the businesses’ commitment to the environment.

Another prominent green marketing tactic is product labeling. Green product labeling allows consumers who are interested in green products to fully understand how ‘green’ the product is during a purchase. Product labels also encompass aspects of the product beyond the actual product, like its social and environmental impact. Labeling leads to more transparency within the market; however, the labels can sometimes be misleading depending on the establishment of the standard. Besides food products and standards set by the FDA, most labeling is privately constructed, rendering the sector no choice but to self-regulate (Woolverton, 2010).

Furthermore, the government has guidelines for what can be called organic, but not what can be called green (Smith, 2014). Although the Federal Trade Commission does offer “General Environmental Benefit Claims” suggestions on its website, there must be more institutional efforts to help regulate and develop certifications for authentic green products. Again, this is a challenge of a relatively new component of all consumer industries. The FTC suggests that “Marketers should not make broad, unqualified general

environmental benefit claims like “green” or “eco-friendly” and that they should be qualified with “specific environmental benefits” (The Federal Trade Commission, 2012).

Conversely, to the suggestion of the FTC, a study by Katherine Smith (2010) suggests specific advertising buzzwords that Millennials best respond to, when considering green business practices. The three words most effective in communicating the green message to Millennials are “eco-friendly”, “recycled”, and “green”, as opposed to “unprocessed”, “natural”, “bio-degradable”, and “organic”, which do not resonate in the minds of Millennials. Furthermore, ninety percent of Millennials see the recycling label as an indication of environmental friendliness, making it a very clear way to send a green message (Smith, 2010). The integration of these words into an advertising plan centering around the company’s green efforts will be most clearly received by Millennials.

Next, a company’s social goodwill efforts can create a “halo effect” in the mind of its consumers, where a specific positive quality of a company leads to the overall positive evaluation of the company as a whole. This can influence the perception of the performance of company products as well as the overall company image (Chernev & Blair, 2015). “Consumers perceive product performance to be more positive when consumers believe that corporate social responsibility was motivated by benevolence instead of self-interest” (Chernev & Blair, 2015, p. 1413). Advertising language should center around benevolence and any clue of corporate self-interest should be eliminated.

An examination of the characteristics of a common green consumer can shape ideal green marketing language. Consumers are more likely to seek out environmentally conscious products if they believe that they can positively influence the outcome of ecological issues (Straughan & Roberts, 1999). As a result, companies must target those who have a positive outlook on environmental issues or create a positive outlook through marketing and advertising. A focus on details about how the purchase will help combat an environmental crisis will increase interest among those with low perceived consumer effectiveness. When considering college students, perceived consumer effectiveness and the consumer’s aptitude for altruism is more effective in predicting a green consumer than classic demographics (Straughan & Roberts, 1999).

Forty-eight percent of teen respondents felt they were not making a difference because there is no immediate solution (Gaudelli, 2009). Because of this, marketers should attempt to give Millennials the instant gratification they are yearning for through immediate and attainable advertising language. About 50% of people would like more details when companies call themselves green, environmentally friendly, or another generally eco-friendly claim (Smith, 2014). A great example of a consumer-organization partnership to impact a specific and measured change is seen in the loyal customer base of the successful sunglasses company, Shady Rays. The company’s mission involves a partnership with *Feeding America* where Shady Rays donates 10 meals to fight hunger with every order placed, totaling over 4 million meals to date (Shady Rays, 2019). The details are important because they communicate the methodology and concrete facts of how Shady Rays is fighting the hunger crisis. This provides the consumer with instant gratification because they know the specific impact they made with their purchase. Although the work of Shady Rays is not focused on environmental efforts, this method of specific and measurable communication efforts is easily transferable to the environmental sector. For example, paper towel dispenser companies are now putting stickers on their dispensers that state “Remember... These Come From Trees”. This seemingly insignificant and apparent detail saves 100 pounds of paper per sticker through their simple method of reminding people to think about the consequences of their small daily choices. On average, each sticker reduces usage of the paper towel dispenser by 15% (Berger, 2009). As evident in the abovementioned examples, advertising language must be detail oriented. Considerations about specific marketing language and the concerns of the Millennials should be considered to best communicate the impact of the firm’s green marketing efforts.

PROPOSITION DEVELOPMENT

The relationships between Millennials, organizational efforts toward environmental change, and marketing tactics lead to several propositions to be examined in future empirical studies. First, because organizations are often limited by the uncertainty of regulation of authentic environmental efforts, we

propose that a greater institutional effort from governmental or NGOs will result in more tangible and credible solutions to implement. Organizations themselves are often confused or unsure of where to begin in making an environmental effort toward change. If more tangible and publically acknowledged standards were in play, just like the standards set by the FDA and other regulatory bodies, this could lead to greater motivation to adopt or attain such standards. As such, we propose:

Proposition 1: *Organizational efforts toward environmental change are enhanced by standards acknowledged by a regulatory body.*

Next, benchmarking is an effective tool used in most businesses. Organizations seek out exemplars when creating goals and reaching for gains in various aspects of operations. When huge, successful, multinational corporations are seen implementing environmentalism and other green initiatives, this creates somewhat of a ripple effect on other businesses' focus on these issues. When firms like Wal-Mart and Amazon make a clear effort to show concern for environmental initiatives, a follow-the-leader approach will be taken by other firms. As such, we propose:

Proposition 2: *Organizations are more likely to make efforts towards environmental initiatives if they have examples from industry leaders.*

Retailers and businesses are generally aware of the financial opportunity the millennial generation presents. They are actively seeking loyal customers that have great lifetime value compared to the other generations. Keeping in mind that this generation values environmental efforts and is the most educated on these issues, it only makes sense that organizations should appeal to the millennial consumer's green aspect. There are several ways that this can be accomplished. First, we propose that a firm's mission statement should include the societal impact that a firm makes on the larger community. For many firms, this will include some environmental responsibility that gives back, reduces carbon emission, or leaves the world a healthier place. If a firm makes such an effort to include this language in their mission, efforts should be taken to communicate that statement to the firm's stakeholders, namely consumers. As such, we propose:

Proposition 3a: *Firms that have an environmentally conscious mission statement will market that statement to stakeholder groups.*

Proposition 3b: *Millennials prefer mission statements with societal and environmental concerns ingrained within the statement.*

Another way that businesses can demonstrate their commitment to the environmental crisis is to advertise about it. This can come in the form of paid commercials, promotions, online banners, social media, or direct marketing, just to name a few outlets. The key to this communication is that the environmental message is both direct and measurable. The millennial generation is very short term oriented, and thus, they want to know the impact that their specific purchase will make. Thus, we propose that messages that have tangible and direct environmental messages will be preferred in advertising materials. As such, we propose:

Proposition 4: *Direct (measurable) impact statements in advertising are preferred over indirect (general) impact statements by millennial consumers.*

Finally, our literature review shed light on the halo-effect that environmentally responsible firms can enjoy. In other words, if a business commits to environmental initiatives with a certain product or service, a consumer will be more likely to repeat purchase or buy other products offered by that business. This idea marries the financial and social aspect of business in today's landscape. By committing to environmental initiatives and communicating with customers, businesses can establish customer equity that will lead to repeat purchases and loyalty exhibited by consumers. Millennials have been shown to be a loyal consumer

base. Thus, it makes sense for businesses to set the tone and benefit from the halo effect with well-implemented environmental commitments. As such, we propose:

Proposition 5a: *Millennial consumers are likely to repeat purchases with firms that commit to environmental initiatives.*

Proposition 5b: *Organizations attempt to gain millennial customers by making a commitment to environmental initiatives.*

PROPOSED METHODOLOGY & CONCLUSION

Our research questions and advanced propositions are interested in both the business angle and the consumer perspective of environmental initiatives. As such, an empirical examination of these propositions is needed to make proper conclusions about the type of green marketing most effective to Millennials. Qualitative interviews with executives in firms seeking to implement policy and marketing towards environmentalism would be useful to understand motives and guidelines, competitive forces, and marketing constraints. Additionally, interviews with NGOs and other impactful regulatory bodies would gain information about tactics on uniform standards to green products and services. Further, a quantitative approach to millennial-aged consumers would help support the suggestions that loyalty to 'green' companies lends support to making the effort of corporate environmental action. In sum, Millennials will impact the future of business for many decades. This generation actively cares about environmental progression, and thus, a need to deeply understand effective tactics and standards is pivotal for managerial action and strategy.

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