



**LUT School of Business**

**Bachelor's Thesis**

**Department of Management and International Business**

**Impact of increased environmental awareness on product  
marketing**

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## ATTACHMENTS

**Attachment 1:** *Interview questions*

# 1 INTRODUCTION

“The earth’s natural resources play a special role for mankind. Besides being an input factor for the production of goods and services, natural resources are also the very basis of life itself. News articles commenting on supply shortages of rare earths and strategic metals as well as fear of ecosystem collapse indicate that the world’s natural resource base and its use are becoming a major issue, not only in international environmental economics and policy but also for businesses and consumers.” (Talmon-Gros, 2014, pp. 1)

Environmental sustainability is today one of the major issues in companies’ strategy, innovations and marketing decision-making processes. Significant attention is being paid by companies, consumers, media, and regulators to the development and consumption of green products. (Dangelico, Pontradolfo and Pujari, 2013, pp. 642) The authors argue that green innovations are essential to help our society towards targets that are given to environmental sustainability while they use less natural resources. Introductions of green products are rapidly increasing, and so are the number of eco-labels and third party certificates for companies’ green products.

People are getting more and more conscious of environmental issues, and the knowledge of the earth’s well-being or ill-being has an impact on people’s buying decisions. Laroche, Bergeron & Guido (2001, pp. 503) conducted a study about this subject already over ten years ago. They claimed that many customers were already at that time considering environmental issues when shopping. This result taken into account, nowadays it seems to be even more important that companies are innovative and act pioneers when it comes to environmentally friendly products and their marketing actions.

## 1.1 Research Problems, Objectives and Limitations

This Bachelor's thesis studies how companies have changed their views on environmentally friendly products and how they are implementing their awareness with new types of products, sustainable product life-cycles and especially environmentally focused marketing (sustainability marketing). Chapters two and three include the specific researches of the topics of "Green products" and "Sustainability marketing".

Uwe Flick (2014, pp.98) states that research questions do not come from anywhere. He adds that decisions of specific questions mostly depend on the researchers' practical interests and their involvement in particular social and historical contexts. This study contains one main research question and a few sub questions. Sub questions are for better understanding and studying the main problem.

The main research problem of this study is as follows:

- *How the increased environmental awareness has effected on product marketing?*

And the sub problems are as follows:

- *How do companies see the change of thinking environmentally in the past decade?*
- *How have the products of the companies become more environmentally friendly?*
- *How have the marketing methods changed towards sustainability marketing within recent years?*

This study is not limited to any particular branch in the theoretical part in order to give broader and more informative view on the topic but the empirical part of the study handles only furniture companies. The other one of these companies sells goods for businesses and the other to consumers.

Empirical part is also limited to only the product segment of the companies. Both of the interviewed companies also sell services like interior design, but the service segment and all the other segments as well are excluded in this study to keep this study compact enough.

## 1.2 Literature Review

Literature review introduces the former studies and surveys of the key themes researched in this study: green products and sustainability marketing. First the overall theme of increased environmental awareness will get its closer look. This study involves references from different books (both from printed versions and e-books), but scientific articles are the main sources used.

There are a lot of studies regarding the impact of increased environmental awareness, although it is a quite new field of study. Shrivastava (1995, pp. 183) studied already in 1995 that environmental technologies could result in competitive advantage although issues regarding energy and natural resources may also cause limitations. Talmon-Gros (2014) has also studied the concern of natural resource destruction in his book *Development Patterns of Material Productivity*. Laroche et al. (2001, pp. 503) have brought the discussions also to reach the consumers. On the brink of this millennium they studied how consumers thought about green values when making a buying decision.

The first attempts to integrate environmental considerations into product design to manufacture greener products was the term “ecological functionalism” already over 30 years ago (Moller, 1982). That included an ecological checklist for manufacturers and designers. In literature, the following new terms were introduced a couple of years after: “Green design” (Burall, 1991) and *Design for the Environment* (Mackenzie, 1991) (Bevilacqua, Ciarapica & Giacchetta, 2012, pp. 2-3).

Besides Bevilacqua et al. (2012), study uses a lot of references from Figueiredo, Guillen & Zheng (2012). Also many scientific articles are being used: see Fuentes (2014), Amores-Salvado, Castro & Navas.López (2014), Handfield, Walton, Seegers & Melnyk (1996) and Zhang (2012).

The concern of thinking sustainably has also been studied for many decades. Its history and current situation is being introduced by Belz & Peattie (2009). Same authors have also conducted another study a year later, see Peattie & Belz (2010, pp. 8-15). Lauterborn was the developer of sustainability marketing mix, the man who transferred McCarthy's

4Ps into 4Cs (Curve Communications, 2013). That mix plays a big part in this study's third chapter. There are also couple of other former research introduced in this field of study, see inter alia Shaw and Jones (2005), Menon & Menon (1997) and Drumwright (1994).

### 1.3 Theoretical Framework

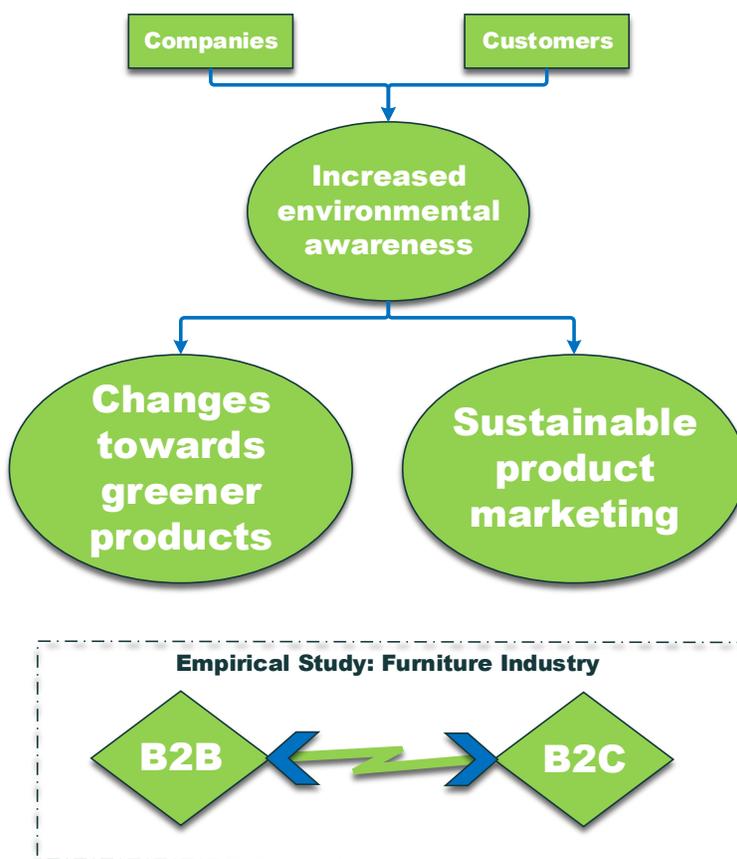


Figure 1: Framework of the study

This theoretical framework gathers together the main areas of this whole study. It links the theoretical and empirical parts together. The framework is supposed to be as simple as possible to give the reader a very quick chance to look what this study includes.

A lot about product marketing and customer behaviour has also been studied from the customer point of view, but this study examines this theme mostly by the companies' point

of view. How do they see their customers' environmental consciousness and which kind of marketing messages are they using to communicate with them?

## **1.4 Methodology**

Empirical part of this study is done by using qualitative research methods. Qualitative research means the group of different interpretational research practices, which are carried out under natural conditions (Denzin & Lincoln, 2005, pp. 3). According to Corbin & Strauss (2008, pp. 12), qualitative research allows researcher to get those inner experiences of participants to determine how meanings are framed through and in the culture.

The relevant features of qualitative research pursuing are the suitability of methods and theories, perspectives of the participants and their diversity, influence between the researcher and the research and the variety of used methods in qualitative research (Flick, 2008, pp. 14). Corbin & Strauss (2013, pp. 13) add, that a "good" qualitative research tends to share also the features like inter alia curiosity, creativity, risk taking and acceptance of the self as a research object.

Metsämuuronen (2008, pp. 37) reviews three different methods of data collection used in qualitative research: interview, observation and using literature material. Interviews can be divided into four categories: structured, semi-structured, theme and open interviews. In structured interview, all the questions and the alternatives to answer are the same. Semi-structured interview has the same questions, but the interviewee can answer the questions with own words. In theme interview, the theme of the interview is set before but there is no predetermined order or even questions. Open interview can be seen as an ordinary discussion. (Eskola & Suoranta, 2008, pp. 85-86.)

Qualitative research in this study is implemented by using semi-structural questions sent to the interviewees. Questions are the same to both companies viewed in this study, but

the interview from Martela has been implemented by telephone interview whereas Artek's interviewee has answered the questions via email inquiry.

## 1.5 Structure of the Study

This study is divided into five chapters. Chapter one introduces the research questions of this study, literature review, theoretical framework, methodology used and definitions of key concepts used in this study. Chapter two and three are the theory part of this study based on former studies conducted. Chapter two focuses on green products, their legislation and how they are designed, manufactured, used and recycled. Chapter three views the ways to market green products as well as other responsibility the company can provide, term also known as sustainability marketing.

Chapter four includes the results of empirical studies conducted for this study. The questions asked from the interviewed companies are based on the two chapters of the theory this study includes. Finally chapter five provides discussion and conclusion to this study.

## 1.6 Definition of key concepts

“**Eco-design** involves a combination of strategies to minimize total environmental impacts over the whole life cycle of a product.” (Roy, 2000, pp. 290)

“**Extended producer responsibility (EPR)** is an environmental policy approach in which a producer's responsibility for a product is extended to the post-consumer stage of a product's life cycle.” (OECD, 2001)

“**Greenwashing** is a selective disclosure of positive information about a company’s environmental or social performance without full exposure of negative information on these dimensions.” (Lyon & Maxwell, 2011)

“**Green product** is a good or a service designed to minimize its environmental impact over the entire product life cycle.” (Albino, Balice & Dangelico, 2009, pp. 83)

“**Life cycle assessment (LCA)** is a tool used by companies that considers the whole lifecycle of a product.” (Curran, 1996)

“**The Product life cycle (PLC)** concept depicts the sales of a product class, product form or brand over the "life" of the product - from introduction to decline.” (Kotler & Armstrong, 1991)

“**Sustainable development** is a kind of development that meets the needs of the present without compromising the ability of future generations to meet their needs.” (World Commission on Environment and Development)

## **2 GREENER PRODUCTS**

Green products are nowadays becoming part of consumer cultures and everyday life. In order to promote green products and to make them part of customers' daily life, companies need to find and categorize green consumers and buyers. Then they need to develop particular bids that will fit this segment and finally communicate the benefits of these green products efficiently. (Fuentes, 2014, pp. 105-106)

The purpose of this chapter is to demonstrate how green products are invented, what defines a green product and how product life cycles are taken into account when designing and manufacturing new age, environmentally friendly products. Also a little bit of information about the policies and regulations of green products and their manufacturing process is introduced.

### **2.1 Development and definition of green products**

The development and the adoption of green products have seen a massive growth recently. And the development will still continue, because as the researchers see it, the universe of green products is a vast landscape that comprehends virtually every product and category of services. (Figueiredo et al., 2012, pp. 165-170).

In general terms, and as Horbach (2008) has deduced, environmental innovations (such as green products) are determined by both the technological possibilities of the company and its ability to take advantage of the benefits of innovations. Amores-Salvado et al. (2014, pp. 357) also argue that ethical arguments of environmental innovations are often included into companies' products, proceedings and organizational models of the enterprise.

Green product is hard to define, because as Figueiredo et al. (2012, pp. 2) state, there is not any precise and generally accepted definition of what a green product is or what it

should be like. The definition mentioned before in this study (look Chapter 1.6) is just one good example of what a green product could be demonstrated, and it covers its meaning in the ways that are appropriate for this study.

## **2.2 Green policies and regulations**

A major driver of corporate environmental awareness has been the increasing role of government regulation (Handfield et al., 1996, pp. 295). These past two decades have witnessed an explosion of governmental intervention to secure the environment and promote sustainable development such as green products. There have been several different policymaking levers with a different amount of success. Those levers have included for instance regulations or setting of various standards and subsidies. (Figueiredo et al., 2012, pp. 10.)

Heyes (2000) mentions, that although green regulations are a good and effective way to make companies change their habits of manufacturing and they can be critical to protect the environment, they can often be forgotten. On the other hand, green standards (voluntary or not) have become the significant way of encouraging companies to environmentally friendly production and customers to their consumption. Within those are included besides governmental pressures, also the pressures from non-governmental organizations (for example WTO or ISO). (Figueiredo et al., 2012, pp.10.) Schmitz (2008) notes that the ISO standards have been the most impactful so far in the field of environmental regulations.

Governmental subsidies are also a way to promote green production and consumption and reduce the environmental influence. The subsidies can be for instance aimed at the design and production of environmentally friendly goods, promotion of renewable energy sources or reduction of material use and waste. (Figueiredo et al., 2012, pp.11)

In addition to the effect of government regulation and incentives (such as environmental standards and subsidies) on corporate environmental awareness, consumers have also

become much more socially aware than in the past (Handfield et al., 1996, pp. 295). As mentioned before in Chapter 1, customers demand more environmentally friendly products and companies must decide if they are willing to fill the growing niche for these products.

## 2.3 Product life cycle behind green products

Environmental product innovations are the ones that affect the product design and which are aimed to cut back the environmental impact of the product through its production, use and disposal expenses (Amores-Salvado, et al., 2014, pp. 357). In other words, when creating a green product, the whole life cycle of that product must be considered.

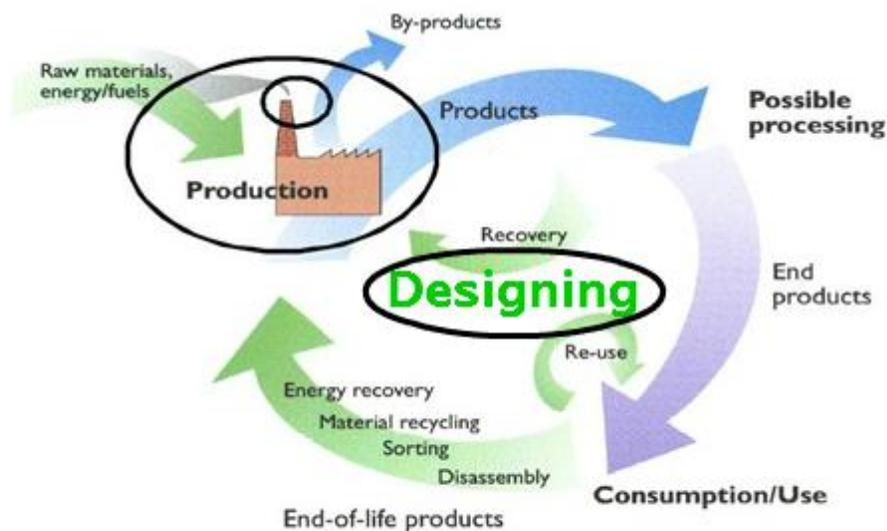


Figure 2: Product life cycle and material flows (SYKE, 2014)

Here in Figure 2, the green product's life cycle is being introduced. Sustainable Product and Service Development (SPSD) is a process of making products or services in a more sustainable way through their whole life-cycle, from design to end of product's life

(Maxwell & van der Vorst, 2003, pp. 884). Life cycle assessment (LCA) (see Chapter 1.6) is another term that takes the whole lifecycle of a product into account (Curran, 1996).

The most important phase of the whole product life cycle assessment is the design of the product. It determines the major part of product's emissions during its life cycle, and it can cut down the environmental impact of this product. (SYKE, 2014) Zhang (2013, pp. 285) adds, that designing personnel of green products give full considerations of how the energy consumption can be reduced, how to recycle abandoned products and how to reduce pollution to the environs.

After the product has been designed, the production process starts with material flows. When creating a green product, material suppliers must be selected carefully to be sure they supply materials that are produced with green manners or are made from sustainable materials. (SYKE, 2014) Green production usually also requires using green energy sources, such like wind or water power. As Fratila (2013, pp. 3) states, the need for ecological efficiency is often associated with minimum waste used in production, minimum toxic emissions into the air and minimum energy consumption in this part of lifecycle. The green arrow where states "recovery" (Figure 2) means all those raw and scrap materials that are remained after the production process and can be used again to make new products.

After manufacturing the product, they are consumed. Green products should be durable, and their design ought to be long lasting and timeless. As well as, when product gets broken, it must be easily repaired. When a product does not serve its purpose anymore, it should be able to reuse by someone else. If it does not suit that purpose anymore, there should be a chance to recycle the different components of the product and gather all possible energy to recovery in order to have a green status. (SYKE, 2014)

In these following paragraphs, the main parts of the product life cycle will be introduced starting with designing ending with reuse and recycling part. At the end also the benefits from producing green products are unveiled.

### **2.3.1 Designing**

Design for Environmental (DfE) is one possible approach in the process of new product development (NPD). DfE can be defined in the principle “do more by using less” which plays as an incentive for reducing energy consumption and material usage to provide products. (Bevilacqua et al., 2012, pp. 3) Also Dangelico et al. (2013, pp. 644) agrees that the identification of green products should be done considering the variety of environmental dimensions and measurements.

Cooperation along the supply chain helps companies to design and manufacture green products and is one of the key ways for companies to improve the competitiveness while reducing environmental loads. Designers must also listen to their customers’ demands and requirements for the products’ environmental performance as well as suppliers may offer information about new environmentally friendly technologies or materials. (Dangelico et al., 2013, pp. 645) Zhang (2013, pp.284) notes an example from the furniture industry that the development of industrial design effects on companies’ furniture production and will inevitably and eventually lead to greener products.

SPSD method (see Chapter 2.3) may in some cases also result in a product not being produced at all, when it is used evaluating the whole process. The evaluation is done by exploring already the environmental and social impacts for each product before the manufacturing will even be started. (Maxwell & van der Vorst, 2002, pp. 886-887)

### **2.3.2 Production**

Within the process of producing green products, the careful selection and reasonable use of raw materials need to be seen as key factors (Zhang, 2013, pp. 286). Bevilacqua et al. (2012, pp. 3) also add that emission of substances should be taken into considerations because they may be harmful to both the environment and for man. Another big key factor

is the facility where products are being manufactured. Also, its energy consumption and pollution should be monitored.

According to Zarandi, Mansour, Hosseinijou & Avazbeigi (2011, pp. 886) an optimal material selection should at best match between the available material profiles and the requirements of the eco-design. It is not an easy process because it demands a great amount of information about the material properties used in production, and there are often several solutions for a particular product (Chiner, 1988). At least, each material has various properties like mechanical, thermal, electrical, physical, environmental and biological (Zarandi et al., 2011, pp. 889). Franchetti & Spivak (2013, pp. 73-74) request that today's companies should also take a closer look to their production process in terms of waste generation. Supposedly all companies would like to reduce that, but many companies do not possess the proper resources to efficiently manage and minimize their waste streams.

These following guidelines could help the manufacturer to decide, which kind of materials to use:

- Use renewable materials
- Use residual materials from production processes
- Use retrieved components from disposed products
- Use recycled materials, alone or combined with primary materials
- Use biodegradable materials
- Use non-hazardous recyclable materials
- Use few, simple, unblended materials.
- Use materials with low energy consumption in extraction and transportation.

(Zarandi et al., 2011, 890)

To manufacture even more environmentally friendly green products, companies must think about their energy usage and emissions. Using less energy is obviously very good for the environment and cuts down companies' costs (Bevilaqua et al., 2012, pp. 24). New production technologies can lower the energy used in manufacturing or the carbon dioxide emissions caused by the factory. Cleaner energies such as solar and wind energy can be also used to reduce the energy impact of producing these green products. (Dornfeld, Yan, Diaz, Zhang & Vijayaraghavan, 2013, pp. 16)

Products, as well as services, are the root cause of resource consumption and environmental emissions we face on this planet. So the first action is to reduce the overall consumption of products. (Lee, 2013, pp. 261) Even though firms want their products to sell more, those products need to be technically durable and repeatedly usable in order them to be green products (Bevilacqua et al., 2012, pp. 22).

### **2.3.3 Recycling**

Besch (2005, pp. 1088) has studied what are the most significant environmental impacts of office furniture. And the results are that aspects related to raw material consumption and the disposal of old furniture are those most notable. Bevilacqua et al. (2012, pp. 22) amplifies that green products must be recoverable after use as well as environmentally compatible in disposal. Extended producer responsibility (EPR) relates perfectly to these matters as it is meant to ensure the recovery and recycling of waste in the most economically efficient and ecologically sound matter (Rizzi, Bartolozzi, Borghini & Frey, 2013, pp. 561).

So before products are broken down to pieces and parts recycled, the re-use possibility should be taken into consideration. Companies manufacturing long-lasting products such as furniture should strategize their businesses that they could sell those old, used products at a lower price if they were unbroken or use some of the old parts to assembly a new product. The only pitfall here is that the company must develop some kind of taking back system for the old products. Yet again this business model can then lower the sales figures of new products. (Besch, 2005, 1085)

After the product's useful life, it may either be disposed or recycled. Bevilacqua et al. (2012, pp. 26) consider that ideally companies should design their systems as a larger natural cycle, where materials are borrowed from nature and returned back without compromising the overall balance of nature. Green recycling practices can, according to Figueiredo et al. (2012, pp. 6), reduce environmental damage in significant ways.

## **2.4 Benefits from green products**

Overall, green products are thought to be more expensive because they are using the latest technology. These improvements may result, on one hand, in higher development and production costs as mentioned, and on the other, in higher product differentiation, increased margins and larger market shares for the firms which can take advantage this opportunity fastest. (Reinhardt, 2008)

Maxwell & van der Vorst (2003, pp. 891) have introduced particular outcomes and benefits of targeting to green products and environmentally friendly production. These are for instance reduced volume of raw materials or reduced or eliminated the usage of hazardous raw materials. In terms of other business benefits (besides environmental achievements), the authors list factors like improved product functionality, cost savings, competitive advantage and improved supplier relationships. So it seems that producing green products may give the comparative advantage to companies after all.

## **3 SUSTAINABILITY MARKETING**

In this chapter, all the important factors of sustainability marketing will be introduced from the ecological point of view. At first, the history of sustainability marketing is under surveillance and then the ways how companies do sustainability marketing are introduced. The 4 Cs of sustainability marketing will get a specific look. Finally, also the concept of social marketing is brought out to discussion due to it is strongly linked to sustainability marketing.

Sustainability marketing has evolved during the past decades, and it still searches its genuine and stable meaning. Belz & Peattie (2009, pp. 31) have studied this and regard, that there is a subtle but important difference with these terms. Sustainable marketing can be construed as some kind of marketing, which is eager to build long-lasting customer relationships with no certain reference to sustainable development or consideration of sustainability issues. On the other hand, the authors deduce, that sustainability marketing “relates more explicitly to the sustainable development agenda”. Sustainability marketing targets on telling customers about company’s values and beliefs not only satisfying the needs of customers but also towards improving the life of them (Menon & Menon, 1997).

### **3.1 History of sustainability marketing**

Marketing, by its original nature, seems counter to sustainability in that marketing traditionally encourages overconsumption which leads to ecological crisis eventually. However, a new pattern defines that sustainable marketing makes companies focus on the creation of ecological balance and more ethical consumption of raw materials, services, etc. (Becker-Olsen & Moynihan, 2013, pp. 2463) As global markets continue to elaborate, the pillars of sustainability (meaning environment, economy and social justice) have become bigger and bigger part of marketing decision-making process in the companies (Huang & Rust, 2011).

The concern of thinking the environment and sustainability first started in the 1970s with a small number of environmental issues like oil use and pollution. During the following decade, the growing knowledge of environmental and social problems led to the idea of “green consumer”. Companies were starting to think to act more sustainably, and it required closing the gap between the old conventional marketing thinking and sustainability thinking. Many companies believed that by responding to environmental concerns and by adopting the environmental performance, they could get marketing advantage from the source of differentiation. (Belz & Peattie, 2009, pp. 271)

Belz & Peattie (2009, pp. 272) also mention that as the new millennium was approaching, the debate about marketing and sustainability changed. The new millennium made the corporates think about their social responsibility once again. According to the authors, sustainability was seen more as a companies’ value and moral responsibility than just a marketing jargon.

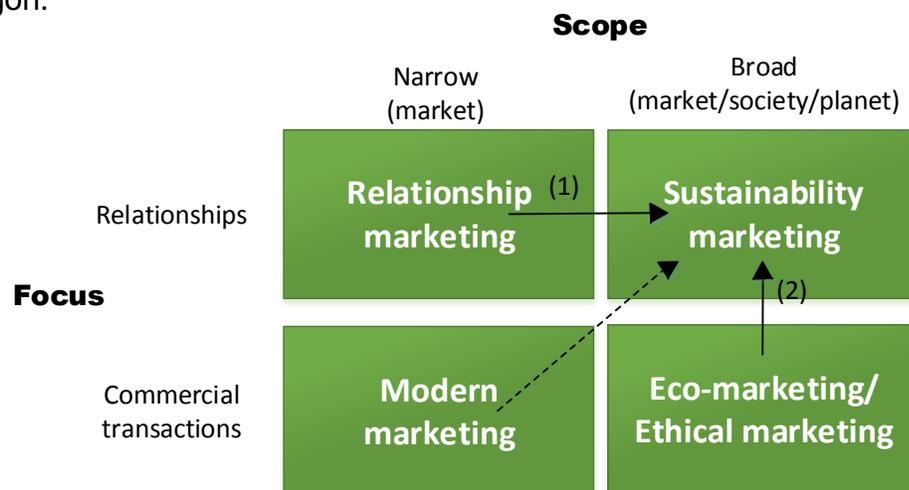


Figure 3: Evolution towards sustainability marketing (Belz & Peattie, 2009, pp. 18)

Figure 3 shows how sustainability marketing results from different conventional types of marketing thinking including enhanced relationships (1) between producers and customers, the ecological eco-marketing (2) and the norms of traditional, commercial marketing. (Peattie & Belz, 2010, pp. 9)

### 3.2 Implementing sustainability marketing

“Conventional marketing thinking is increasingly unable to cope with the ecological, social and commercial realities that confront mankind” (Peattie & Belz, 2010, pp. 8). This chapter handles sustainability marketing especially from the ecological point of view without forgetting the two other perspectives.

Peattie and Belz (2010, pp. 13) see that the conventional view of marketing responds to consumers and society in some ways, but it does not have the force to modify or even influence the society. They recognize that the environmental performance followed by green products and marketing messages could be a strategy option to generate competitive advantage. It is seen that nowadays especially larger companies try to avoid negative headlines linked to environmental impacts. That is why they have all in some level implemented the transition to using sustainability marketing over traditional marketing (Peattie & Belz, 2010, pp. 9).

Factors affecting the balance of earth’s well-being like impacts on world’s ecosystems have been traditionally treated as “externalities” and excluded in considerations in conventional marketing (Peattie & Belz, 2010, pp. 10). Sustainability marketing is a way to show and tell about these issues in marketing management. Figure 4 presents how the sustainability marketing can be framed in the company level (Belz & Peattie, 2009, pp. 32).

In order to market products’ sustainability to the public, the marketing department needs to get required information about the sustainability issues relevant to the products and services offered. They need to have information about the stakeholders’ attitudes towards sustainability issues linking with sourcing, production, use or post-use of products, etc. (see Chapter 2.3). Customer information about their preferences and expectations regarding the types of products and services and how much customers value, for example, environmental benefits of the products is also required by marketers. (Belz & Peattie, 2009, pp. 257) Without such information, marketing will face severe difficulties in

identifying markets that are likely to grow as a result of sustainability concerns (Charter, Peattie, Ottman & Polonsky, 2003, pp. 26).



*Figure 4: Sustainability marketing in a frame (Belz & Peattie, 2009, pp. 32)*

Companies who are improving their environmental and social credentials usually want to invest in that by communicating with consumers and other stakeholders to improve their company image (CSFD, 2006). Wong, Turner and Stoneman (1996) have argued that when green initiatives are presented to customers as a brand communication, it impacts favourably on their behaviour towards the company image. Pomeroy and Dolnicar (2009) have added that these brand communications help people to build confidence in the company and its actions for long-term needs of society.

Although these previous claims sound superb at first, those marketing actions can be a risky strategy due to companies who have engaged in “greenwashing” (Look Chapter 1.6). That has made several consumers cynical about the motives and claims of companies that are manifesting sustainability concerns. In order to avoid this, companies must communicate environmental claims with clear and accurate means. To sharpen, companies should tell the truth and nothing else. (CSFD, 2006)

Nowadays, companies must remember that everything communicates, and corporate actions or inactions can communicate as much as intended advertising campaigns (CSFD, 2006). Next chapter handles the 4 C's that are required in order to pursuit sustainability marketing.

### 3.3 Sustainability Marketing's 4C's

Marketing mix is meant to represent the interface between a company and its consumers. The sustainability marketing mix is based on the original marketing mix of 4 P's model developed by McCarthy (1964) in the 1960s. In terms of sustainability marketing, this McCarthy's model has two big weaknesses. Shaw and Jones (2005) have deduced as the first one that the model is producer-oriented, which means that it focuses only to producers' products and their positioned prices. The second is that the model is not developed to consider broader range of stakeholders than the end-users (Peattie & Belz, 2010, pp. 11). The challenge for sustainability marketers is to find and solve the problems consumers face in everyday life while also at the same time improving company's environmental accomplishments (Belz & Peattie, 2009, pp. 153).

The model for sustainability marketing consists of four C's, developed by Lauterborn in 1993 (Curve Communications, 2013). These are customer solutions, customer cost, customer convenience and communication. Figure 5 demonstrates, how these C's are derived from the 4 P's of McCarthy's model.

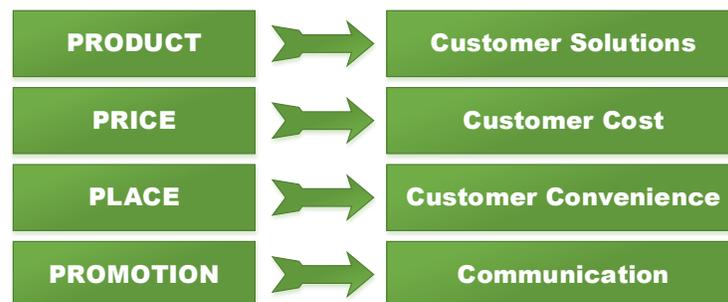


Figure 5: Commercial marketing 4 P's transferred into sustainability marketing's 4 C's (Shaw, 2013)

Sustainability marketing perspective requires that products and services need to address both customer and socio-ecological problems. Products marketed as sustainable must create many different values and solutions for the customer as the first C requires. These are customer satisfaction, dual focus (both environmental and social issues) of products, life-cycle orientation, significant and continuous improvements of products and eco-social environment and competing offers. (Peattie & Belz, 2010, pp. 12)

The second P transferred to C is price seen as a customer cost. Peattie and Belz (2010, pp. 12) see, that sustainability marketers need to consider the whole or total customer cost which includes besides the costs of usual buying decision, also the non-financial transactions like time and effort spent to the buying process.

The third C, Convenience, is derived from place, and it means that consumers require ease when purchasing a product (Curve Communications, 2013). The conventional concept of place is becoming less relevant in many markets as elements of consumption process move into an online environment. It's a key value nowadays that the product (or service) is widely available and easily accessible. (Peattie & Belz, 2010, pp. 13) Convenience is however a challenge for sustainability marketers and it has divided the researchers into two categories: into those, who claim that sustainability solutions will depend on combining conventional products for convenience (Ottman et al., 2006) and into those who suggest that our devotion to convenience may need to changed (Shove, 2003).

The last C is communication. Without effective communication, the whole point of sustainability marketing is nonsense. Good communication between seller and buyer makes consumers aware of sustainability solutions that the company provides and develops (Peattie & Belz, 2010, pp. 13). That way a company can change their consumers' lifestyles towards more ecological approach and meet their needs (Drumwright, 1994). Effective communication about the company's green issues can also create firmer relationships and occur in brand loyalty as those messages inform and educate consumers (Day, 2011). As mentioned previously in Chapter 3.2, the risk of greenwashing is obvious when companies are communicating about their "green" issues. This risk can be avoided by using communication approaches that emphasize openness

and dialogue with stakeholders including critics, rather than using selective “good news” information (Peattie & Belz, 2010, pp. 13).

### **3.4 Social marketing**

Concern that has been expressed does not alter directly into consumer behavior. Advertisers must be able to locate and understand the market segment of ecologically conscious consumer. (Roberts, 1996, pp. 218) Social marketing means the “use of marketing principles and techniques to influence a target audience to voluntarily accept, reject, modify, or abandon a behavior for the benefits of individuals, groups or society as a whole” (Kotler, Roberto & Lee, 2002). According to McKay-Nesbit (2011, pp. 52) social marketing efforts typically concentrate on behaviours that protect individuals' health and safety, the environment or community well-being.

As commercial marketing, also social marketing uses market research information to develop an own marketing “mix” of variables (Peattie & Peattie, 2003). The four Cs' of sustainability marketing mix (as mentioned previously) were customer solutions, communication, costs and convenience (Look Figure 5) and social marketing mix can be defined using same approach. Social marketers do not necessarily offer customers any solutions, but they are trying to develop a social proportion or concern. (Belz & Peattie, 2009, pp. 274.)

Social marketing requires a lot of patience since nature of people is that they do not change their habits easily. Benefits of change are in key role when communicating social concerns to public. Otherwise change does not happen. (Becker-Olsen & Moynihan, 2013, pp. 2235.)

## **4 IMPACTS OF INCREASED ENVIRONMENTAL AWARENESS IN FURNITURE INDUSTRY**

This chapter includes the empiric research conducted in two Finnish furniture companies. The questions asked from the company representatives were based on the theory part of this study and are mainly focusing on green products and sustainability marketing.

Chapter starts with a short presentation of the studied companies and then the answers to the research questions are being introduced starting from the environmental consciousness and then introducing views about green products and sustainability marketing given by the company representatives.

### **4.1 Introduction of the interviewed companies**

This chapter views the two interviewed companies in general terms. First Martela is being introduced and then Artek. The questions asked from the companies were the same but as mentioned in chapter 1.4, Martela's representative was interviewed via telephone call where as Artek's representative filled an e-mail inquiry. Firms representatives were asked to answer the questions mainly from the product's point of view because this study handles those in particular. Also the interviewees answered the questions only by regarding the company's main clientele. Martela as a B2B seller, answered that in mind and Artek's representative took a closer look to the B2C segment of their business.

#### **4.1.1 Martela briefly**

"Martela is a Finnish office furniture company that creates solutions to inspire people in their work." The company designs and supplies interior solutions for working environments and public places all over the world. Martela offers ergonomic solutions for

all kind of modern working environments. Their objective is to provide their customers and partners the best service in the business and high-quality and innovative products. (Martela, 2014a)

Martela is the biggest company in its sector in Finland and one of the largest in the Nordic countries. It is a family company founded in 1945, and its shares are quoted on the OMX Nordic Exchange Helsinki. Martela has production facilities in Finland, Sweden and Poland. Main markets of the enterprise locate in regions around Baltic Sea and Norway, the Netherlands and Japan. (Martela, 2014a)

Martela commits responsibility in every aspect of their business making. It is an essential part of their values, strategies and everyday actions. In Martela responsibility means transparency, sustainability, respect for environment and life cycle thinking to name a few. (Martela, 2014b)

#### **4.1.2 Artek briefly**

Artek was founded in 1935 by four idealists called Alvar and Aino Aalto, Maire Gullichsen and Nils-Gustav Hahl. At first the business idea was “to sell furniture and to promote modern culture of habitation by exhibitions and other educational means.” Nowadays, Artek is well-known for their innovative contributors to modern design. Functionality and timeless design are the essential elements in the creations of every product Artek manufactures. Products of Artek can be found in various places: from public spaces to homes and hotels to offices. (Artek, 2014a)

The company headquarters is located in Helsinki, but it has sales offices also in New York, Berlin, Stockholm and Tokyo. Nowadays Artek is owned by a Swiss furniture company Vitra AG, who bought the company in fall 2013. (Artek, 2014a)

Sustainability and longevity have been Artek's essential values in terms of design and technical quality. Durability and functionality are ones of the key attributes of modern society and also in Artek's product philosophy. (Artek, 2014b)

Artek is continuously in search for new materials and questioning solutions that already exist for sustainable and environmental friendly design. Artek's cornerstones of product development strategy are ethics, aesthetics and ecology. The company has made collaboration together with for instance UPM when trying to find more environmental friendly solutions for their products. (Artek, 2014b) The company also works closely together with prominent international architects like Eero Aarnio, Naoto Fukasawa and Enzo Mari (Artek, 2014a).

#### **4.1.3 Introduction of the interviewees**

The interviewees for this study were chosen based on their knowledge and working experience with eco-friendly products and their marketing methods in particular.

Martela was represented by Minna Andersson whose title is marketing and responsibility manager. She says that these two titles are separate and that she has two teams to lead. Marketing team consists of 11 marketing experts from Finland, Sweden, Russia and Poland and the responsibility team then consists of herself, one responsibility expert and her superior, who is a member of the Group Management Team. Andersson has worked three and a half years in the company under the same title and has all her career worked in marketing positions. (Andersson, 2014)

Artek's representative interviewed for this study was Laura Larres who works as a marketing manager. She is responsible for the support of retail and project sales in Finland. She also accounts for the domestic communications. She started working in Artek already when studying in 2007, so she has now worked almost eight years for the company in similar tasks. (Larres, 2014)

## 4.2 Increased environmental awareness among consumers and companies

*"It has increased a lot. Clients buy environmentally friendly produced products in order to point out that they are also concerned about sustainability issues."* (Andersson, 2014)

Andersson sees that there are market-specific differences in environmental thinking. From Martela's point of view, Swedish customers are far most aware of environmental issues. Then follow Norway and Finland, then Poland and Russia, where the concern for environment has increased just in latest years due to the large, international companies that have started their businesses there also. Larres mentions that the ideology of sustainable development is a key to lead a customer to buying decision:

*"The clients of Artek are environmentally conscious people and environmental issues certainly affect their buying decisions."* (Larres, 2014)

Larres (2014) argues that Artek's products have always been long-lived and durable so the beginning of environmental consciousness in Artek is hard to estimate. In 2008, Artek brought sustainable development as its main theme in Milan's international furniture exhibition. The message consisted of three main areas: innovative use of recycled materials (wood-plastic composite), new production materials (bamboo) and questioning the continuous renewal (Artek 2<sup>nd</sup> Cycle). Andersson also admits that the concept of responsibility has emerged in their everyday basis, and she sees that the start of environmental awareness happened in the beginning of 21<sup>st</sup> century.

There has not been any resistance to change in Martela or Artek. At least, Andersson claims that it is the wrong word used in this context. Because even though tough decisions have been made regarding changes in production development, these issues have been thought thoroughly before implementing in Martela. Larres, on the other hand, feels that they in Artek have shared enthusiasm and understanding of what product's life cycle and long lifespan of a product can actually mean at its best instead of resisting the change to become innovators of business.

### 4.3 Producing more environmentally friendly furniture

*“Product life cycle thinking is always present in the planning process of new products, but Artek’s product life cycle is considered to remain practically forever.” (Larres, 2014)*

*“Our product philosophy is that the product lasts time, with its physical features and with its time lasting design.” (Andersson, 2014)*

Both of the interviewed companies do not design and manufacture products that do not last time. As an example, Andersson picks that Martela’s Kilta-chair was created in 1950s, but it is still one of the most wanted and desired Martela’s product in markets. Both interviewees agree that their companies try to develop their products continually and that requires that the product development department analyses everything they do, from the materials used (environmental friendliness, durability) to the recycling potential of old furniture. (Andersson, 2014; Larres, 2014)

Larres says, that if some technically transcendent manufacturing method would mean that the product would be difficult to fix, or the material wouldn’t be recyclable, the manufacturing method would be rejected in Artek. Andersson also agrees that the materials used in production process is a key factor towards environmental friendliness and sustainability. However, Andersson also deduces that it is a two headed sword that one hand try to use recycled materials in furniture production and on the other try to manufacture products that are physically durable.

#### 4.3.1 Pricing

Whether the products of the interviewed companies are manufactured in green way or not, it does not have an impact on their prices. Larres relates that all the Artek’s products have those features which can be seen representing green values. The price of a product consists of original design, high-quality materials, production methods and brand value. Andersson agrees but also gives an example that the Swan- labels that Martela has

applied for their products in Sweden and Norway have affected furniture prices there. Andersson also admits that the product development of the greener products has a direct impact on their product's prices.

Andersson finds that their green products are about in the same price category as their rival's. Also Larres reveals that if the furniture brands related to Artek are regarded as their competitors (Vitra, Knoll, Fritz Hansen, etc.), Artek's price is between the most expensive and inexpensive ones.

#### **4.3.2 Tools to show green products' contents**

*"On our website has a lot written about our responsibility and it's easily available."*  
(Andersson, 2014)

Martela has published four annual responsibility reports in the last 4 years according to IFRS standards. Other ways to show that the company acts for the environment are the already mentioned Swan- labels applied for products in the Swedish and Norwegian markets and the carbon footprint calculator of the products manufactured located on the website of the company. That calculator also tells how this footprint has been calculated, unlike some of the competitors' ones. (Andersson, 2014)

Andersson also adds that environmentally conscious large companies are nowadays applying themselves environmental certificates, such as LEED (American certificate for buildings) and furniture in those spaces have a certain calculating factor as well. In those projects, Martela's experts are designing the spaces and selecting the proper products there together with the company staff.

*"For our customers it is often enough that they receive the knowledge of the product's material and its manufacturing methods as well as manufacturing country."* (Larres, 2014)

According to Larres, Artek does not apply any environmental certificates for their products. There is a label on every product that tells the customer the country of origin

and the year of manufacture. In the project sales, if requested, Artek provides all the required certificates for their customers.

#### **4.4 Sustainability as a marketing method**

*“Everything we say in our marketing messages, must be well justified.”* (Andersson, 2014)

Just recently, Martela has selected responsibility and sustainability as one of its key themes in their website. It can be seen straight away on the cover page. As Andersson has mentioned before, environmental certificates and labels applied for the products have a big meaning in prices but also in Martela’s sustainability marketing at least in Sweden and Norway. Martela also uses a lot of social media when marketing sustainability and the company’s responsibility. Large offers usually include copies of Martela’s responsibility reports as they contain all the valid data a customer requires. (Andersson, 2014)

Artek, on the other hand, does sustainability marketing by messaging its products to be long lasting and durable. Those arguments are the theme of every single message Artek is promoting. According to Larres, Artek uses printed and digital media, direct marketing, social media and event marketing as their primary marketing channels.

*“Studies show that our marketing messages have been accepted very positive way by our customers. Strong brand supports awareness and the product is perceived as a complete, durable, long-term acquisition.”* (Larres, 2014)

The sustainability marketing messages in Martela have also been a success among customers according to Andersson. Even though it appears that every step closer to the environmental well-being should be marketed, Martela has been very careful with this kind of messaging. That is why Andersson sees that Martela debates closely with stakeholders to hear what kind of issues interest them the most and what they should highlight in their sustainability marketing. Larres, on the contrary, says that Artek does not profile itself as a green company so the company does not promote its environmental

friendliness that much. She adds that Artek does not produce any reports of the eco-friendliness of their processes, but they are open to share that information when asked.

#### **4.4.1 Marketing the life cycle of the product**

Artek focuses its marketing to promote a long life span of the product instead of focusing the product end-of-life procedures. But Artek still offers re-upholstery services for the old furniture, like sofas and armchairs. Artek also has their own 2<sup>nd</sup> Cycle store, which buys and re-sells old products. If customers do like to give old Artek furniture away, they are recommended to deliver to 2<sup>nd</sup> Cycle store. (Larres, 2014)

In Martela the life-cycle model of the product can be seen as their product philosophy. Life cycle model is also closely attached to the new strategy of Martela that is called “creating the best work places”. Its purpose is to provide the customer the products that last in use. When or if they go broken, the maintenance will repair those. If the customer company’s way of doing business changes, Martela has the ability to take old products to recycle them and provide new product solutions in place of the old ones. As an example Andersson mentions, that during last year over 30 000 furniture found its new owner. (Andersson, 2014)

#### **4.4.2 Sales channels of the products**

Martela’s products are mainly sold to corporate customers so the sales process is much longer than in B2C markets. In Finland, where Martela has operated the longest, customers sometimes take initial contact to them. Usually in Finland as well as in other markets, Martela wants to sell and market the products as part of the full services from the workplace planning until the implementation. (Andersson, 2014) Artek’s products are sold via own stores and retailers all over the world. Larres mentions that a large part of Artek’s products (chairs, tables, shelves etc.) are available in flat boxes unassembled to

minimize the cost of supplying the products to retailers and then to consumers. It also lowers the environmental impact, since more products fit in a smaller space. (Larres, 2014)

Martela has their own Outlet- store chain, which sells recycled and refurbished products. Those Outlets are located in Kuopio, Oulu, Riihimäki, Tampere, Turku and Vantaa (Martelaoutlet, 2014). As said before, Artek has also its own 2<sup>nd</sup> Cycle stores, which sell recycled products. Those stores are located in Helsinki, Espoo, Turku and Stockholm (Artek 2<sup>nd</sup> Cycle and Vintage, 2011).

#### **4.4.3 Role of social marketing**

Larres admits that the exhibitions in furniture business partly represent the compulsive regeneration as new products are brought to markets all the time and many of those will never achieve publicity. Instead of highlighting something new, Artek decided to bring out the chairs and stools designed by Alvar Aalto in 1930s in 2008 Milan's furniture exhibition. Totally unbroken, but decades' strained furniture were placed in their pavilion. What Artek wanted to show, was that even though new products should be designed and time should be spent in their design in order to get new innovations to product's shape, material or function, the design icons are still far more topical than ever. (Larres, 2014)

According to Larres, Artek has surely done some more social marketing than this. In furniture business, lifestyle thinking is a way to point out trends. "This is how you can live, this could be your home". Artek's marketing has included the message that a well worth home is a beautiful place, where time and life can be shown. By selecting durable, aesthetic, long lasting products, you can build your home with care, and they do not go out of fashion.

Andersson sees that also Martela has pursued some social marketing. They are acting as workplace consultants when it comes to the working environments. So social marketing can be seen as a part of their sustainability marketing, when they try to teach

and arouse thoughts about sustainability and prevailing of the environment via choosing appropriate and environmentally friendly produced products and solutions.

## 5 DISCUSSION AND CONCLUSIONS

This chapter draws together the whole study. The objective of this study was to find how companies have changed their ways to produce greener products and how they are using these new, environmentally friendly issues in their sustainability marketing messages. The main goal was to answer the research problem, which was: “How the increased environmental awareness has effected on product marketing?” These issues were studied through academic literature and latest scientific journals and articles as well as conducting research studies via interviews.

As Lee (2013, pp.261) suggested (look Chapter 2.3.2), the first action is to reduce the overall consumption of products to minimize the environmental impact. Bevilacqua et al. (2012, pp. 22) also stated that in order that the product is green, it needs to be technically durable and repeatedly usable. The companies interviewed for this study are on the right path. Both, Martela and Artek, regard durable and long lasting products as their key strategies and implement these values in their daily business making.

Both companies regard design as a crucial factor of their success because it can at best provide the product a life cycle that lasts forever. In this study, design is pronounced to be the most important phase of the product life cycle. Artek and Martela are both hiring or doing cooperation with talented designers in order to get the results they are targeting to in the field of eco-friendliness. There are not too many innovative and durable product innovations that last time. These interviewed companies are trying to lead the innovative way that would be reasonable to follow by other furniture companies.

Both Artek and Martela are continually developing new products from renewable materials (for example Artek’s cooperation with UPM). But as Andersson (2014) stated, it is hard to manufacture products that at the same time are durable and are made of newly invented, recyclable materials. It is expensive as well. Larres (2014) also names that products made to last can be considered eco-friendly as well. Based on the theory part of this thesis, it was interesting to notice that companies can see sustainability and eco-friendliness through durable products, not just as materials and production processes

that represent environmental concerns. It seems that especially in furniture business the thinking is alike. If the study would have been conducted in a different branch, the outcome would probably have been different.

As mentioned in this thesis (Besch, 2005, pp. 1088), raw materials and disposal of old furniture are the most notable sources of environmental impacts in the furniture industry. After studying the two interviewed companies, however, it is seen that these two issues are also considered the most in the companies' business making. Surprising was, that as Larres mentioned, the company does not need to change that much, if it already has an effective and sustainable business model, like Artek has had since the birth of the company.

Altogether, when viewing the lifecycle thinking of the interviewed companies, it can be said that they are implementing it very well. Both provide their customers chance to re-upholster their old products or recycle them and provide new, durable ones in place of the old if the use of furniture has changed. Both companies also sell their recycled products again in their own 2<sup>nd</sup> hand shops (Martela's Martelaoutlet and Artek's 2<sup>nd</sup> Cycle). These issues taken into account, both companies have extended their producer responsibility (ERP) with their products and services.

Andersson sees that furniture business has not that much of environmental influence to society as, for instance, some industrial company has. It is true that enterprises can be separated by their environmental friendliness. However, it is glad that even though furniture companies are not the most pollutant of all companies, at least Artek and Martela consider environmental issues in their actions every day. With that kind of development deployed to all branches, this world will hold its current environmental state.

Those environmental concerns that the interviewed companies are paying attention, should also be marketed to the public. Companies can show the consumers the way towards greener future together with governments and international organizations. Even though Artek does not consider their business and products as "green", they should still tell more aggressively about their sustainability. Martela should also have the courage to tell more about their product development successes. As mentioned in this study,

greenwashing can be avoided by communicating things that can be justified and proved by the company (for example the carbon footprint calculator in Martela's website or different labels and standards). Both of these companies are open to new innovations, why shouldn't they also do that in the field of sustainability marketing.

When it comes to comparative advantage seen in pursuing green values and environmental friendliness in business making and marketing, both company representatives agree that it is possible. Larres adds that it naturally depends on how the product is positioned and who are the primary users of that precise product.

While this study covers only two companies in Finnish furniture industry and the results of this study are not that precise in a larger scale, further thesis about this topic would be intriguing to study. The same branch could be studied, while it could include more companies, even worldwide, or the customers could be interviewed as well. It would also be interesting to study how other companies from different branches are seeing environmental awareness and green products. Are they seeing it as a possibility or as a threat? Especially oil business or some other business dealing with non-renewable resources would be very interesting to investigate.

As a conclusion, it must be said that environmental concerns have changed companies' views towards the nature a lot. Product life cycles, design, durability and recycling are all connected to the marketing messages (both sustainability and social) a company communicates. These issues are under daily considerations in most companies and they should be in all. By developing environmentally friendly products and using the sustainability marketing mix (4C's: customer solutions, customer cost, customer convenience and communication) as a part of strategic marketing management, companies are more likely to succeed in the world we are living in the 21<sup>st</sup> century.

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### **Interviews**

Andersson, M. (2014) Martela. Marketing and Responsibility Manager. Phone interview, 20.11.2014.

Larres, L. (2014) Artek. Marketing Manager. E-mail interview, 1.12.2014



## **Attachment 1: Interview questions**

Sent to Artek and Martela

1. Name of the interviewee and what is your position in your company? Tell a little bit about your job description?
2. How long have you worked in your current company? What about in the branch overall? Have you worked in same position in a different company? For how long?
3. May the name of the interviewee as well as the name of the company be used in the study?

### **Questions regarding environmental awareness:**

3. How do you see/ your company sees the increased environmental awareness of consumers? Do those, who buy your green products, have a clear vision of what they are buying those and why?
4. When the thinking of environment in your company started and how has it changed over time?
5. Has there been any resistance to change? If so, what kind of?

### **Questions regarding green products:**

6. How has the eco-conscious thinking effected on your product design (for example life-cycle thinking)?

7. How does the eco-friendliness appear in your products physically?
8. Do your “green products” cost the same amount as your competitor’s ones?
9. Do your “green products” cost more than the products that have not been manufactured using sustainable materials or technologies? How much in percentage scale?
10. Is it more expensive to produce in “green manners”? Why it is so?
11. What kind of tools you have to show, that your products are really environmentally friendly and your company thinks ecological issues in making business?

**Questions regarding marketing and sales:**

12. How you use marketing messages to promote your products as environmentally friendly? Which marketing channels are you using?
13. How have the customers responded/reacted to your marketing messages?
14. “Greenwashing is a selective disclosure of positive information about a company’s environmental or social performance without full exposure of negative information on these dimensions” (Lyon and Maxwell, 2011). How does your company try to avoid greenwashing?
15. How does the product life-cycle thinking appear in your marketing? Are you promoting for example recycle services or easy ways to dispose the products after their end-of-life to your customers?
16. In which ways are you selling your products? Where do you sell those? Has the sustainability thinking been considered there also?
17. Do you think that nowadays a company can get competitive advantage by producing environmentally friendly products?
18. Social marketing means the “use of marketing principles and techniques to influence a target audience to voluntarily accept, reject, modify, or abandon a behavior for the benefits of individuals, groups or society as a whole” (Kotler, Roberto & Lee, 2002). Has your company committed this kind of social marketing?