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Lappeenranta **University of Technology**

School of Business

Bachelor's Thesis

Department of Management and International Business

Green Marketing and its Role in Firm's Strategy

Vihreä markkinointi ja sen rooli yrityksen strategiassa

5.1.2014

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1. Introduction

“Everything’s gone green” was a subtitle of an article in the Marketing Magazine in 2012. (O’toole, 2012) Green marketing has become common worldwide as environmental issues are globally noticed. Both consumers and companies have started to pay more attention in thinking the consequences their actions have to the environment. (Polonsky, 1994, 3) Green marketing is the way firms can advertise their products and at the same time inform the consumers that they are working in an environmental friendly way. (Chen & Chang, 2012, 489)

Green marketing is quickly becoming a global trend. (Zhang & Zhang, 1999, 99) Many firms have taken it as a part of their strategy. This makes it important to define, which role green marketing actually has in company’s strategy? Can green marketing bring added value to the company and be profitable activity? The question about the competitive consequences of green marketing still remains unclear (Fraj, Martinez, Matute, 2013, 396) By determining green marketing’s strategic role, it is easier to understand its implications to the company.

1.1. Research Problems, Objectives and Limitations

The study is divided into the main research question and sub-questions. These questions and the theoretical framework create a frame and structure for the study. The main research question is:

What is the role of the green marketing in firms’ strategy?

There are also sub-questions. Their purpose is to divide the main question into parts in order to clarify and deepen it. The sub-questions of the study are:

What is green marketing?

What are the reasons that drive firms to transact green marketing?

How green marketing can bring added value to the company?

The main goal of this study is to find out, what is the role of green marketing in company's strategy, and how important this role is to the company. Reasons that make firms start green marketing are also discussed. Study also aims to find out if green marketing brings added value to the company, and specify variety of these values. One goal is to find out, if there are similarities in the theories existing and the empirical section of this study.

This study is not limited to any specific industry or country. It considers green marketing as a global phenomenon. It does not examine or question actions done behind marketing. Even if the study is not limited to one industry or country, it does emphasize on industry and B2B marketing. Customer-perspective is not ignored, because even if company works in B2B field, its end-users often are consumers. In empirical part of the study, there are both B2C- and B2B-companies, as well as a domestic and a global acting company. Purpose of this variation is to bring as diverse perspective of green marketing as possible.

1.2 Literature Review

Green marketing is a subject that has been researched for the last decades. One of the first books published was "Ecological Marketing" by Henion and Kinnear in 1976 (Polonsky, 1994, 2). The publication of the Bruntland Report "Our Common Future" in 1987 was the one that brought environmental-oriented view of sustainability in to the mainstream. (Baker & Hart, 2008, 562)

There has been a lot of research regarding green marketing (For instance Polonsky, 1994; Zhang & Zhang, 1999; Banerjee et al, 2003; Kotler, 2011). Most of them are scientific articles, but there are also some books existing of the subject. In his study "Green Marketing Manifesto" (Grant, 2007), John Grant researched combining green marketing and strategy. Also Esty and Winston (2008) have examined how

environmental strategy can be effectively formed in their book “Green to Gold”. Research made of green marketing seems to either introduce it or explain how to use it efficiently. There are also a lot of studies examining relationship between company’s green marketing and consumers. Studies that focus on the impact and results of green marketing and emphasize on B2B-industry, do not exist as much. (Fraj, Martinez, Matute 2013) Especially in Finland green marketing is rather a new field of study.

This study is mainly based on scientific articles. From the books, the most used is Michael J. Baker’s “The Marketing Book” and its chapter “Green Marketing”, written by Peattie and Charter (Baker, 1999). There are many editions of this book, and this study uses three of them. In order to clarify the short history of green marketing studies, some relevant findings are listed in the table below. (Table 1)

Table 1. Findings of Green Marketing Literature
(Based on Sharma et al., 2010; Baker & Sinkula, 2005)

Year	Author	Findings
1987	Brundlant Report: Our Common Future	Brought issue of sustainability into the mainstream
1993	Ottman, J.	More profits and market share
1995	Porter & van Linde	Encourage to innovations and higher productivity
1995	Kuhre, L.	Reduction of trade barriers Standardization Fewer health and safety impacts Increased awareness and interest Improved community and employee relations
1995	Polonsky, M.	Five reasons to GM: achievement goals, moral obligation, pressure from government and competitors, eco-effectiveness in respect of

		waste disposal/ reductions in material usage
1995	Hart, S.	NRBV (natural-resource-based view of the company: Three stages of proactive environmental strategy: pollution prevention, product stewardship, sustainable development
2000	Miles & Covin	Impact to reputation and overall performance
2000	Bansal & Roth	Three major motivations for ecological initiatives: competitiveness, legitimation, environmental responsibility
2000	Mathur & Marthur	Criticism: Not all green or environmental marketing activities motivate investors
2001	Kassaye, W.	Size and scale of business matters in undertaking green marketing initiatives.
2002	Banerjee, S.	Internal and external environmental orientation
2005	Baker & Sinkula	Motivation to environmental marketing hard to establish
2013	Fraj, Martinez & Matute	Managerial support effects positively the firm's development of green marketing strategy

1.3 Research Methodology

The empirical part of the study is done by using qualitative research. Qualitative research means a group of different interpretative research methods (Metsämuuronen, 2005, 198). Typical characters for qualitative research are for example method for collecting data, perspective of the researched, genre of the research and position of the researcher (Eskola & Suoranta, 2008, 15). Metsämuuronen (2005, 222) mentions some methods used to qualitative research: interviews, observation and usage of literature. In this study, interviews are used as a research method.

According to Eskola and Suoranta (2008), the aim of the interview is to find out, what opinions does a person in question have. There are many ways to categorize different types of interviews. One of them is to divide research interviews in four categories: structured, half-structured, theme and open interviews. In a structured interview questions and their order are same for everyone. Also the answering alternatives are the same. Half-structured interview is otherwise same as structured, but there are no prepared answering alternatives, so the interviewee can answer with his or her own words. In theme interview, themes of the interview are predefined. There are no specific form or order for the questions. An open interview reminds an ordinary discussion situation. (Eskola & Suoranta, 2008, 85-86)

Interviews of this study are implemented using a half-structured interview. Both interviewees received similar question forms with prepared questions. Question forms were open, meaning that interviewees had free space to answer to questions. This way it was ensured, that interviewees could express their own opinions without restrictions. The interviewees are in the leading position in two Finnish industry companies: Energy Sales Director of Lappeenranta Energia Oy and Head of Communications and Environment from UPM Raflatac.

1.4 Theoretical Framework and Structure of the Study

This study comprises theoretical and empirical parts. Study can be divided in four sections: introduction, theoretical part, empirical part and conclusions. First chapter of the study consists of the introduction, which will introduce the background of the study. It also determines structure of the study, research objectives and problems and key components used in the study. Theoretical framework (Figure 1) presents the structure of the study.

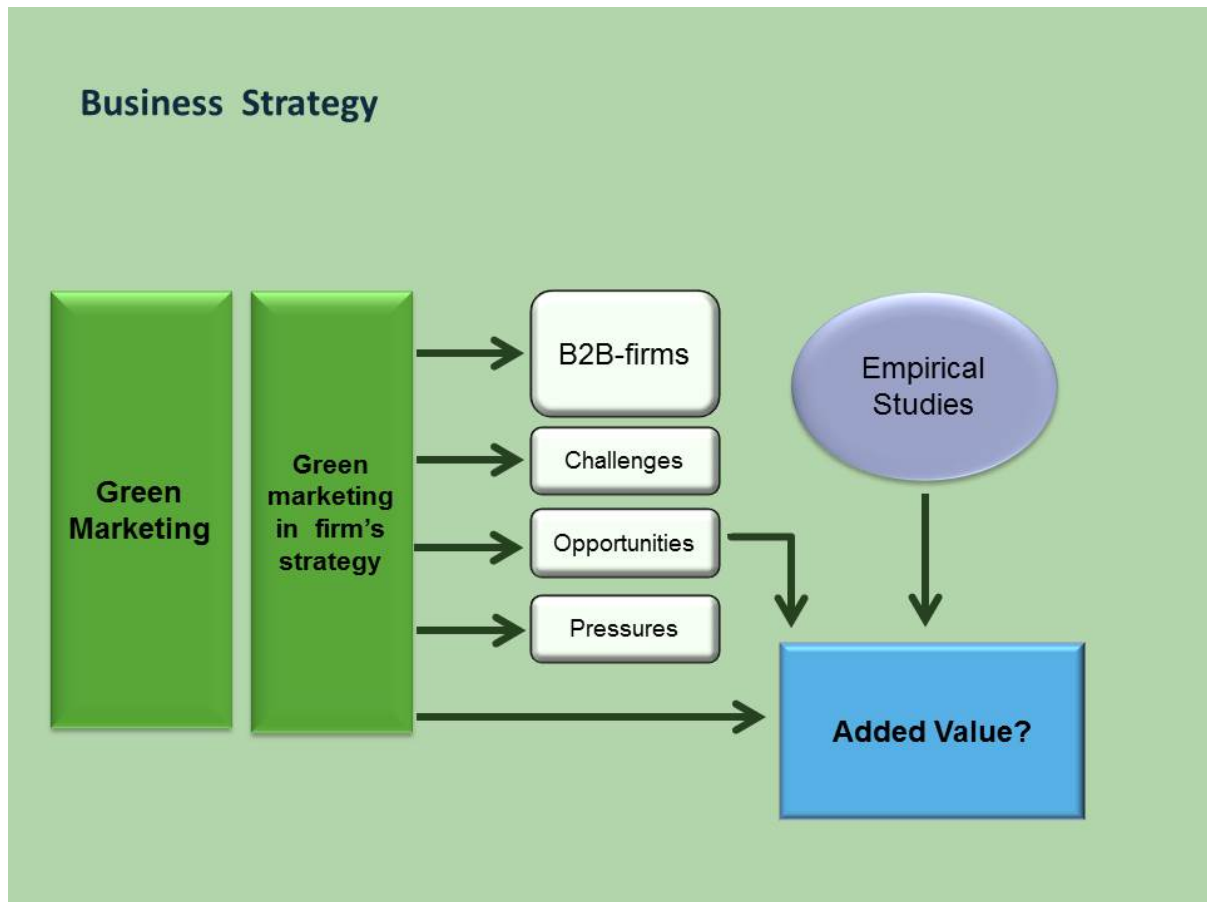


Figure 1. Theoretical Framework

Second section of the study consists of chapters two and three. This section will consider the role of the green marketing in companies' strategies. In a chapter two, concept and objectives of green marketing and other relevant concepts related to it will be introduced. This will build base to the rest of the study. Green marketing is introduced through existing literature. In the chapter three, concept of strategy is determined in general and then focusing in how green marketing can be incorporated into the business strategy. After that there is introduced how green marketing strategy can be created, emphasizing on B2B-companies. Main opportunities that can be found in green marketing are pointed out and observed, whether these opportunities can bring added value to the company. Also pressures that drive companies to practice green marketing are presented. In the end of this chapter, challenges and risks related to the green marketing strategy are investigated. First and second parts of the study are based on existing theories and literature.

Third section of the study consists of the results of the empirical studies collected with the qualitative research. Theories introduced earlier are now investigated in practice, using the interviews made to the case-companies as a source. Interview questions focus on the role of green marketing in business strategy, and its benefits, opportunities and challenges.

Summary and conclusions form the final section of the study. In this section the results of the empirical study are scrutinized. This section will also compare the findings done in the empirical study to the theories presented in chapters two and three. Finally, conclusions of the study are made by analyzing both theoretical and empirical sections of the study. Possible subjects for the further studies are also proposed.

1.5 Key Concepts of the Study

Marketing

Marketing is a process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services in order to create exchanges that satisfy individual and organizational goals. (Kotler, 2006, G5)

Green marketing (GM)

Baker and Hart (2003, 727) determine green marketing to be an overall management of identifying, anticipating and satisfying the needs of the customer and doing this in profitable and sustainable way. In the researches terms “sustainable marketing”, “ecological marketing”, and “environmental marketing” are often mentioned. Defining the separation between these terms is challenging, because they are so closely related. In this study these terms will all be contained to the concept of green marketing.

B2B-Marketing

Business-to-business marketing. Marketing, where company’s products and services are targeted to the organizations. (Rosenberg, 1995, 44)

Strategy

There are a lot of definitions of strategy in the literature. Kotler (2006, 56) defines strategy as a game plan for company to achieve its goals and says, that strategy consists of marketing strategy, technology strategy and sourcing strategy. This study will focus on marketing strategy.

Added Value

In this study, by added value is meant all tangible and intangible benefits the company can achieve through its marketing performance.

2. Concept and Objectives of Green Marketing

In 1970's people started to realize consequences the fast population growth and high level of industrialism would have to the environment. Problems like green house effect, destruction of the ozonosphere, acid rain, pollution of air and water, deforestation and overuse of natural resources and growing shortages of water were increased explosively. (Zhang & Zhang, 1999, 99-100; Kotler, 2006, 90) People started to rethink their own behavior and started to demand more environmental friendly produced commodities. As a respond to that, companies reformed their operations and strategies and a trend called sustainable development was born. (Zhang & Zhang, 1999, 100)

In 1990's, this trend of being green started to pervade all over the world. This was a consequence of people's increased awareness of the importance to protect the environment. Green consumption increased considerably and new concepts, like green food and green factories were born. "Being green" became a global trend. (Zhang & Zhang, 1999)

After being spread over, consumer's increased interest towards the environmental friendly products forced firms to change their marketing strategies. (Chen & Chang 2012, Kotler 2011) Concept of green marketing was created in 1990 at the Earth Day in the United States. After that, there was an explosion in the number of firms, which seek to utilize this consumers' increased sensitivity to environmental issues. (Kotler, 2011, 91)

Nowadays companies around the world are turning their attention towards environmental sustainability. Paco et al. (2008) consider that major drivers to this change have been people's concern of the environment and consumers' demands. Being green is also seen as a way to differentiate from competitors and gain competitive advantage. Green marketing is a channel of advertising messages of company's environmental considering actions. (Chen & Chang, 2012, 489)

Green marketing is a special way of doing marketing. Traditional marketing has its goal in satisfying the needs of individuals and groups through creating, offering and exchanging products and services with others (Kotler, 2000, 8). Green marketing aims at satisfy the unlimited needs of individuals and industries with minimal detrimental impact on the natural environment, and at the same time achieve organization's aspirations on selling (Polonsky, 1994, 2). Wong (2007, 224) continues from this, that green marketing can be divided in two business models: one is to produce environmental friendly products and services and the other is to develop activities that are related to environmental protection. As Kärnä et.al (2002) express it, it is about balancing between objectives of sales and profits and the concern for society and the environment.

In practical, green marketing includes a lot of activities including inter alia product modification, changing the production process, modified advertising and change in packaging. (Polonsky, 1994, 1) These actions are done in order to reduce the detrimental impact of products and their consumption on the environment. (Mishra & Sharma 2012) Chamorro and Banegil (2005, 12) argue that green marketing philosophy means that environment should become one of the firm's values determining its organizational culture.

3. Green Marketing Strategy

In this chapter, concept and definition of strategy are first introduced. Thereafter taking green marketing as a part of firm's strategy is discussed through two different theories. Finally green marketing strategy is examined in B2B-environment.

3.1 Concept and Definition of Strategy

Concept of strategy is widely discussed and there are a lot of interpretations. Porter (1996) argues strategy to be differentiation from the competitors. Kotler (2006) calls it a game plan. Mintzberg and Waters (1985) think that planned strategy may differ from the strategy, which is implemented.

According to Webster (1992) there are three major levels of strategy that dominates the most of the organizations: corporate strategy, business-level strategy and functional strategy. Corporate strategy consists of decisions, which determines corporation's objectives and plans how to achieve these objectives. (Webster, 1992, 10) It also determines the field of business company is to pursue, what kind of economic organization it is and what kind of contribution it intends to make to its stakeholders. (Andrews, 1997, 52) Business-level strategy defines how firm competes in a given industry and how it positions itself against its competitors. Functional strategy centers on how resources allocated to the different functional areas can be used as efficiently as possible. (Hutt & Speh, 2013, 117) In addition to these levels of strategy, there are also three dimensions of marketing: marketing as culture, marketing as strategy and marketing as tactics. Each of these dimensions affects on each levels of strategy but they have different emphasis on different levels. Marketing as culture is primary on responsibility of the corporate managers. Marketing as strategy is emphasized at the business-level of strategy, where it aims to provide an answer how to recognize and achieve an economic advantage, which sustains (Baker, 1999, 16). At the functional level, marketing managers focus on marketing tactics, like elements from the marketing mix. (Webster, 1992, 10) Marketing reflects the strategy of the firm and so they are closely related. (Banerjee et al., 2003, 106)

3.2. Building a Green Marketing Strategy

Taking green marketing to be a part of company's strategy can be seen as a reflection of organization's values. It focuses on whether the managers consider environmental issues when making plans. (Baker & Sinkula) Kärnä et al (2003, 853) reason that in the core of the green marketing in a business strategy is a strategic product and customer decisions, where environmental issues are emphasized and environmental strengths are used as a competitive advantage.

Green marketing is closely related to Corporate Social Responsibility (CSR). CSR is company's commitment to participate to sustainable economic development and to work with employees, their families, the local community and society in general to improve their quality of life (WBCSD, 2004). It means that company voluntarily does more than is required by law or other regulation, regarding environment, worker's safety and health and investments in the field in which they operate. (Hay et al, 2005, 108) Servaes and Tamayo (2013, 1046) argue though, that there is no general consensus of all activities included in CSR. Green marketing can be seen as socially responsible marketing, which relies on proper legal, ethical and social behavior. (Kotler, 2006, 707)

Kotler (2011, s. 133) argues that in green marketing strategy all the main marketing program elements; product, price, channels of distribution and marketing communication, can be designed and executed in a more environmental friendly way. (Figure 2) In the figure the new aspects of marketing mix are marked with green colour. In designing of the product, needs to be considered which materials are used in order to reduce carbon footprint of the products and minimize the energy used in production. In pricing is needed to make a price difference between the normal and the environmental friendly product. Product with environmental friendly label can have a higher price than the ordinary one and that way product is easier to separate from the ordinary ones. Promotion and selling of the product needs to be done more online in order to reduce waste of paper and unnecessary traffic. It is important to include communication of the company's sustainability development into the firm's promotion. Production should be decentralized in order to avoid long distance transports, which lead to increased pollution. (Kotler, 2011, 133)



Figure 2. Kotler (2011) Greening the marketing mix (Based on McCarthy's 4P-model)

Ginsberg & Bloom (2004) have listed four different strategies to integrate green marketing to the current marketing plan. These are lean green, defensive green, shaded green and extreme green (Figure 3). Firm can select one of these depending on its business model and environment. (Wong, 2007, 223)

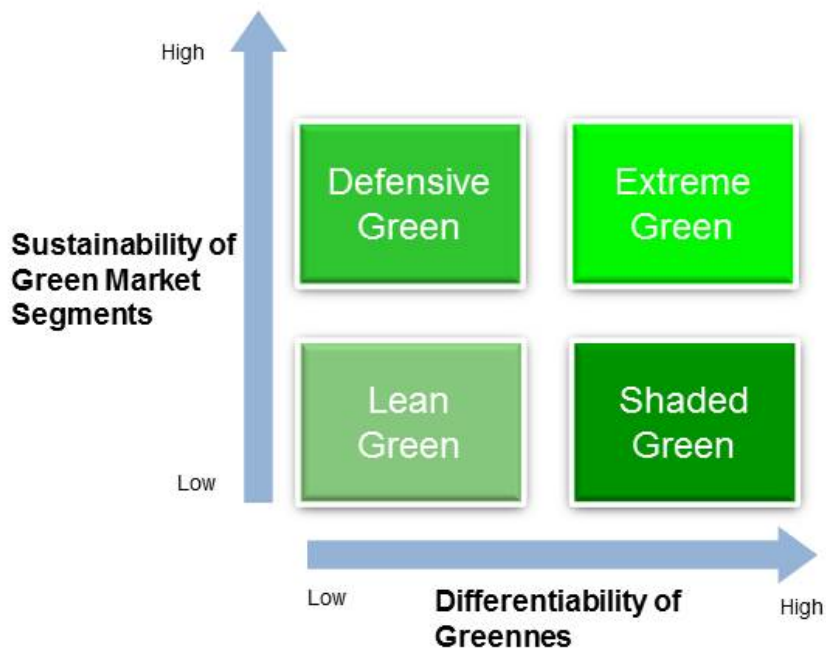


Figure 3. Ginsberg & Bloom. (2004) Green Marketing Strategies.

In this green marketing matrix, there are two questions regarding green marketing strategy, which need to be answered. First, how substantial is the green consumer segment for the company? Second question is, can company be differentiated on the green dimension?

Companies, which are not focused on publicizing or marketing their green initiatives, but gain to reduce costs and improve efficiencies through pro-environmental activities, are categorized as “Lean Greens”. “Defensive Greens” use green marketing as a respond to the critics or to competitor’s action. They realize that green market segment is an important one and can provide revenues. “Shaded Greens” see green marketing as an opportunity to develop innovative products and technologies, which lead to competitive advantage. For the “Extreme Greens”,

environmental issues are fully integrated to company's business and are a major driving force in the company. (Ginsberg & Bloom)

This Ginsberg & Bloom's theory (Figure 3) can be integrated in the primary presented marketing mix (Figure 2). In table below the differences among these four strategies can be seen by considering how the four elements of the marketing mix are used in each strategy. (Table 2) In "Extreme green" -strategy, all aspects of marketing mix are included, whereas in the "Lean green" -strategy company only focuses to its products to be environmental friendly produced. This matrix can be used as a tool when integrating green marketing into companies' marketing plans. (Chen & Lin, 2011)

Table 2. Marketing Mix tools used in Green Strategies
(Chen & Lin, 2011)

	Product	Price	Promotion	Place
Lean	✓			
Defensive	✓		✓	
Shaded	✓	✓	✓	
Extreme	✓	✓	✓	✓

3.3.1 Green Marketing Strategy in B2B Companies

Business marketers act in the largest market of all. Compared to business-to-consumer markets, volume of transactions in the industrial or in the business is significantly exceeded. A single customer in B2B field can form a considerably part of company's selling activity. (Hutt & Speh, 2013, 4) Sustainability requires firms to expand their economic responsibilities to social and environmental areas. They also have to dedicate resources to interacting with secondary stakeholders such as non-governmental organizations and environmental groups. (Fraj, Martinez, Matute, 2013, 398-399). In B2B marketing, building a successful marketing strategy is highly dependent on the industry. Often different industries enquire completely different promotional, pricing and distribution strategies. To penetrate these markets

effectively, the marketer must understand the organizational buying process, including complex buying motives. (Hutt & Speh, 2013, 28)

Sima (2013, 151) argues, that B2B marketing is 100% relationship marketing. In developing green marketing strategy in B2B-context, it has become essential to build long-term-relationships. This is because these relationships can contribute to firm's operational and environmental efficiency, instead of the relationships based just on buyer's demand for greener products and services. (Fraj, Martinez, Matute 2013, 397)

Fraj, Martinez and Matute (2013) have noticed the importance of the managers' support towards environmental protection in developing green marketing strategy in B2B organizations. Their individual values, ideals, and knowledge of problems may affect their decisions at work and determine organizational orientation towards the environment (Fryxell & Lo, 2003, 62). Managers desire to integrate these values in to organizational culture (Fraj, Martinez and Matute, 2013, 398). Menon and Menon (1997) saw manager's concern with sustainability values as the main motivator to environmental practices. Fraj, Martinez and Matute (2013) came to the hypothesis, that managerial support for environmental protection positively affects the firm's development of green marketing strategy and environmental culture in the B2B context.

3.4 Opportunities in Green Marketing

In this chapter, most discussed opportunities found in green marketing literature are introduced. These are green marketing as a competitive advantage and green marketing's impact to company's image and reputation.

3.4.1 Competitive advantage

Because of the growing importance of environmental and social issues in the marketing environment, companies now consider these issues more in their strategy development. (Baker, 2008, 569) It appears that all types of consumers, both

individual and industrial are becoming more concerned and aware about the natural environment. Many firms see this as an opportunity to be explored (Polonsky, 1994, 3). Baker (1999, 601) state that companies have realized, that environmental responsiveness is something that customers, investors and other stakeholders take an interest in, and which can provide opportunities for innovation and competitive advantage. Based on this change, Polonsky (1994, 3) assumes that firms that are marketing goods with environmental characteristics have a competitive advantage over firms marketing non-environmentally responsible alternatives. Zhang & Zhang (1999, 100) argue that companies need to implement green marketing, or they will lose out in the intensive market competition.

In 1990's, greening the strategy was argued as a source of competitive advantage by for instance Porter & Van der Linde (1995). They argued that making preferable environmental solutions develop new, more effective technologies. (Porter & Van der Linde, 1995, 121) Likewise, Hart (1995) argued that innovative environmental strategies lead to unique capabilities. Later, Baker and Sinkula (2005) viewed green marketing rather as a resource that enables these unique capabilities. These capabilities can lead to new innovations that allow companies to use its range of inputs, for example raw materials, more productively and that way lower the total cost of the product. Firms can also use its inputs more carefully in order to reduce its pollution. Pollution can be seen as a form of economic waste: opportunity costs of pollution are wasted resources and wasted effort. These are often buried throughout product's lifecycle. (Porter & Van der Linde, 1995, 120-122) These practices can also be proactive, when they goal to eliminate environmental inefficiencies before they are generated (Fraj, Martinez, Matute, 2013, 399). Reduction of pollution and efficient use of inputs lead to enhanced productivity. This is both better to the environment and makes company more competitive. (Porter & Van der Linde, 1995, 120-122)

3.4.2 Company Image and Reputation

Firm's reputation consists of the perceptions, which firm's relevant stakeholders have about the firm. These relevant stakeholders come both inside and outside of the company and they all impact on firm's reputation (see Figure 4). (Miles & Covin, 2000, 300; Carroll, 1996) In the Figure 4, by NGO's is meant non- governmental organizations with a special interest towards the firm. Superior reputation is argued to be a strategic advantage in firm's long-term ability to create value (Porter, 2011). Many studies also argue that reputation has a positive effect on the market value of firms (Dierickx & Cool, 1989; Weigelt and Camerer, 1988). Miles and Covin, (2000) found out in their study, that there is a strong support that being a good environmental steward helps to create reputational advantage. This leads to preferable marketing and financial performance.



Figure 4. Reputation Formed by Stakeholders. (Based on Carroll, 1996)

Miles and Covin (2000) argue that firms that produce superior quality products, use truthful advertising, act in a socially- and environmentally responsible manner, and have fulfilling their obligations to various stakeholder groups through firm's history, are creating reputational advantage. According to many researches, environmental

performance is suggested to be but social responsible and rational, also to build firm's reputational advantage (Spicer, 1978; Hamilton, 1995).

Menon et al. (1999) state that firm by satisfying stakeholder demands for environmental friendly products firm can avoid problems such as customer switching and boycotts, which could lead to negative publicity. This means that by building good reputation to the firm, it simultaneously prevents bad reputation (followed by negative publicity).

3.5 Pressures to Green Marketing

Pressures that drive companies to practice green marketing can be divided in governmental, competitive and consumer- pressures. These are introduced in this chapter.

3.5.1 Governmental Pressure

Countries' governments try to protect customers and society by placing restrictions to the marketing and production. This protection has significant green marketing implications. Governments establish regulations designed to control the amount of hazardous wastes produced by firms. Production is controlled through the issuing of various environmental licenses, thus modifying organizational behavior. In some cases governments try to encourage final consumers to become more responsible. In other cases governments tax individuals who act environmentally irresponsibly. (Polonsky, 1994, 5)

In addition to countries' own restrictions, there are several international pressures to the environmental marketing too. European Union has developed directives, which aim to improve environmental quality, focusing for example on toxics, chemicals and recycling. These directives have a major impact on electronics industry, but also have an influence on many other industries. Any company making a product for the EU market must comply these directives. (Esty & Winston, 2008, 72-73) World's Trade Organization (WTO) has remarked sustainable development and protection and preservation of the environment to be fundamental goals of the organization.

While there is no specific agreement dealing with the environment, under WTO rules member countries can adopt trade-related measures aimed at protecting the environment. (WTO, 2013) These “green barriers” are set against import including surtaxes and green technological standards regarding products. Governments can demand marks to the green commodities to certify that they meet the standards. Import of the sensitive products, like residual pesticides and heavy metals, can have special regulations. Under these circumstances, green marketing can be seen as a way to pass these regulations and gain access to the international market. (Zhang and Zhang, 1999, 100-101) One environmental regulation undertaken by governments has been the establishment of guidelines designed to control green marketing claims and greenwash. This is discussed more in the chapter 3.6 of this study.

3.5.2. Competitive Pressure

McDaniel and Rylander (1993) identify companies’ competitors as a potential reason for the change in companies’ environmental behavior. Competitor’s activities influence to the company’s strategy. If in the same industry one company reports its compliance with environmental and social standards and others do not, this company gains environmental advantage. That pushes competitors to do the same in order to keep its customers. (Esty & Winston, 2008, 84) Often when firm reacts to the competitor’s activities, firm’s goal is do the same measures as the other company, but nothing more. (McDaniel & Rylander, 1993) Competitive pressure pushes firms to take an approach to green marketing in order to avoid negative consequences. This will not lead to competitive advantage, because firm is always one step behind of its competitors. (McDaniel & Rylander, 1993) Rather than formulating and executing a consistent, customer-oriented strategy, company decides its moves based on its competitor’s moves. Company does not move towards its own goals. (Kotler, 2006, 366) Polonsky (1994) points out that there is a risk that reacting to competitive pressures can have costly consequences, if the leader company has made a mistake which followers subsequently repeat. This makes it important not to follow competitors blindly, but keep a close eye on them. (Polonsky, 1994, 6; Esty & Winston, 2006, 84)

3.5.3 Consumer Pressure

As mentioned above, human wants are unlimited, but resources of the world are limited. Companies can minimize their share of waste by utilizing these limited resources as efficiently as possible and that way protect the environment. The arousal of the environmental protection consciousness among consumers in various countries in the world gives rise to a heated trend of green consumption. This upsurge of green products' demand has resulted to following new behavior of companies: in addition that they have to have higher level of environmental protection consciousness, they also have a greater task of satisfying consumers' new, higher demands through proper design, production, sales and recycling. (Zhang & Zhang, 100)

Marketers have before categorized consumers' choosing among brands on the basis of functional (Marketing 1.0) and emotional (Marketing 2.0) criteria. But today consumers are using third criteria too, which is how the company meets its social responsibilities. (Marketing 3.0.) (Kotler, 2011, 133) Research in the last decade has shown that consumers are aware of the environment's condition, especially in the developed countries. (Cherian & Jacob, 2012, 117)

Also B2B-companies may nowadays receive pressure from their distributors and customers to adopt more environmentally friendly practices, even if there may not be immediate savings. (Kotler, 2011, 134) In B2B-industry, one customer can have a major purchasing power and be really important to the company. These large customers are now increasingly demanding information on the product's lifecycle. In many industries, proof of environmental responsibility has become a requirement for keeping customers and getting major contracts. This activity is technically called "Greening the supply chain". Buyers insist their suppliers to meet the environmental standards. Nowadays, also suppliers have been pressuring their customers, so this pressure can be mutual. (Esty & Winston, 2008, 84)

3.5.3 Social Responsibility

Environmental deterioration has become a global problem restricting economic development. People are searching for better development models with regard to the relationship between economic development and environmental protection. Sustainable development strategy is nowadays accepted by various countries in the world. (Zhang & Zhang, 1999, 100) Firms have begun to realize that they are part of a wider community and therefore they must behave in an environmentally responsible way. This means that firms must achieve their environmental objectives as well as their profit related objectives. Firms can either use the fact that they are environmentally responsible as a marketing tool, or they can choose not to promote this fact. Environmental issues are integrated into the firm's corporate culture. (Mishra & Sharma 2012)

3.6 Challenges and Risks in Green Marketing

Greenwash means that companies are misleading the consumers regarding company's environmental practices or the product's or service's environmental benefits. (Parguel et al. 2011, 2) Companies turn in to greenwash because they try to make themselves to look more environmental friendly and that way gain consumer's trust by concealing faults and allegations (Laufer 2003, 255). Greenwash has become more popular when companies are trying that way to get ahead of their competitors. (Chang & Chen, 2012, p.490)

Greenwash is a serious threat to the green marketing. Consumers usually have faith in company's advertising and messaging and these have a great influence in purchasing decision. Consumers are overwhelmed with messages of environmental friendly products (Polonsky et al.2010, 50) and when not knowing the company better, consumer's image of the company is based on these messages and advertisement. If these are not reliable, it is very hard for the consumer to make the crucial decision. When customers do not know who or what to trust and they can lose their faith towards the matter of green purchasing and think that environmental claims are just marketing gimmicks (Kotler, 2011, p.91) This would damage the green marketing of the numerous companies. (Chang & Chen, 2012, p.491)

Issues regarding environment are often scientific complex, e.g. global warming. This is why it is challenging to communicate relevant information to consumers in understandable form. (Polonsky et.al 2010, 50) This is also the reason, why marketers should be particularly attentive concerning their green marketing, because consumers are easy to mislead. (Virtanen, 2010, 141) There are some regulations made, which try to prevent the greenwash. In the USA Federal Trade Commission (FTC) first published in 1992 the Guidelines for the Use of Environmental Marketing Claims ("Green Guides"), which has been renewed couple of times, the latest in 2012. This Guideline is merely administrative interpretations and it does not have the force of law. (Feinstein, 2013, p.242-243) International Chamber of Commerce (ICC) (2011) has published a framework for responsible environmental marketing communications. There are rules for "green" claims that are determined to be "any type of claim where explicit or implicit reference is made to the environmental or ecological aspects relating to the production, packaging, distribution, use/consumption or disposal of products". (ICC, 2011, 3) Marketers have normal responsibility to be truthful according environmental marketing. Eco-labels make environmental marketing easier for marketers and producers, and same time prove that products truly are environmental friendly. These eco-labels are granted by registration, based on evaluation of the firm's environmental performance. (Virtanen, 2010, 141) In addition to these regulations, there is consumer protections law, which every country has its own. Despite of these regulations and laws, there is lack of standardization to authenticate these green "claims". There is a need for a standard quality control board for labeling and licensing green products. (Mishra & Sharma, 2012, 36)

4. Green Marketing in Finnish Industry Companies: Results of the Empirical Study

In this chapter the results of the empiric study are discussed and analyzed. Theories introduced earlier are examined now in the practical level in the operations of case companies. The case companies of this study are Finnish industrial companies UPM Raflatac and Lappeenrannan Energia Oy. UPM Raflatac is one of the world's leading suppliers of self-adhesive label materials, which are used in price and information labeling, for example in food, pharmaceutical, security, and logistics industries (UPM, 2013). Lappeenrannan Energia Oy is a power company producing and distributing electricity, gas, steam and heat in the southeast part of Finland.

Interviewees from these companies are Marko Pollari, Energy Sales Director of Lappeenrannan Energia Oy and Robert Taylor, Head of Communications and Environment in UPM Raflatac. Both interviewees got the same question forms, Pollari in Finnish and Taylor in English. That way the answers can be compared to each other.

These interviews were made via e-mail. The questions were open so the interviewees could answer with their own expressions. Question form included altogether 16 questions which were divided in four categories: Background, Green Marketing as a Strategic Choice, Effects of Green Marketing and Future. Questions were based to the theory of the thesis, in order to find similarities and new perspectives to the theories existing and make sure that there is a connection between the theoretical and empirical parts of the study.

4.1 Background of the companies

Lappeenrannan Energia made a license agreement with the The Finnish Association for Nature Conservation (FANC) in 2009 about the use of the EKOenergy. EKOenergy is a network of European environmental non-governmental organizations promoting the use of sustainable electricity, hosted by the FANC. Nowadays there are 27 members from 21 European countries. (EKOenergy, 2013)

Company formed to its already existing environmental products own brands and started to promote these brands in both B2C- and B2B-marketing. Channels to the marketing have been marketing campaigns made together with FANC, promotions in local events and articles and press releases, to mention few. In addition to these, company also takes part to the activities that are related to environmental protection. It is for example an investor of the ENNE (project of energy counseling in the South Karelia), offers energy counseling and buys the surplus energy from the small producer organizations. (Pollari, 2013)

For UPM Raflatac, sustainability and environmental performance have been an integral part of company's heritage already for years, almost since the beginning, from the year 1972. In 1996 Raflatac became a part of the Finnish forest company UPM-Kymmene Oyj, which is also known of its environmental awareness. Taylor (2013) says that being an environmental friendly company is part of their DNA, and that their customers also associate Raflatac with strong environmental performance. Raflatac's environmental marketing is dedicated to support all of their key markets and these teams work with sales teams to meet customers' needs. Company uses their in-house expertise to create sustainability through innovation. They for example turn waste into a resource by minimizing solid waste and maximizing the reuse of raw materials. They have also developed a sourcing framework based on the company's code of conduct and responsibility principles to ensure responsible sourcing. They only use the wood originating from responsibly managed forests, ensured with third-party verification. (UPM Raflatac, 2013)

4.2 Drivers to Green Marketing

*“Differentiate from competitors and create competitive advantage in the market”
(Taylor, 2013)*

UPM Raflatac uses its highly environmental performance as a way to differentiate from the competitors and that way gain competitive advantage. That is one of the company's main drivers to green marketing.

“We wanted to offer own products, made from biofuel and wind power, for the customers who respect the origin of their electricity. And we wanted to improve our image as an environmental friendly company.” (Pollari, 2013)

Lappeenrannan Energia wanted to offer environmental friendly products to the customers who have respect towards these products. They wanted that these products were supervised by a third-party, in order to ensure that products meet the national standards. Company had started to use renewable energy in their production instead of natural gas, which was used earlier, and because of that had a good opportunity to start green marketing. They also wanted to improve company's image as an environmental friendly company.

4.3 Role of Green Marketing in Company's Strategy

For Lappeenrannan Energia, the fact that they are using renewable energy and Co₂-free production is really important in their company's strategy. What it comes to marketing strategy, role of the green products is central, but it must be very carefully thought. (Pollari, 2013) Company does not make any major investments to the marketing of these green products. Pollari tells that reason to this is the lack of demand for the environmental friendly produced electricity (green electricity) in Finland. Campaigns that Lappeenrannan Energia has made before for marketing the green electricity have been exceptional unprofitable. Pollari (2013) argues that markets in Finland are not ready for the green electricity yet. Nowadays, two percent of Finnish consumers buy green electricity (Lappeenrannan Energia, 2013). Pollari (2013) also mentions, that finding right partnerships is important in executing green marketing campaigns.

For UPM Raflatac, green marketing has a significant role in company's strategy, and it is seen to be central in transforming the company to meet the future needs of the markets. Green marketing is seen as a way to differentiate from the competitors, and that way gain competitive advantage. UPM Raflatac is environmental oriented company, and Taylor (2013) tells that this can be seen in the company from the Chief Executive Officer down.

Both interviewers see that green marketing has an important role in company's strategy, but investments made to it are different between these two companies. For Lappeenrannan Energia role of green marketing is central, but it is not profitable to make great investments to it at the moment. For Raflatac, green marketing is very important in their company's strategy and worth investing. Taylor and Pollari both think, that green marketing reflects very well the values of the company.

4.4 Effects of Green Marketing

For Lappeenrannan Energia, the effects of green marketing have not been financially remarkable. Pollari (2013) says that the direct results are small, but indirect results may be bigger, though they are hard to measure. Green products do not have remarkable demand at the moment. Good thing is that consumers, who purchase green products, stay faithful with these products.

Taylor (2013) says that when they are aiming for a growing market share or entering the new markets, the results of the green marketing are easy to quantify. He also says, that financing nowadays requires strong environmental performance and green marketing is a channel in messaging this to the investors. For UPM Raflatac, the most important benefit of the green marketing is sales growth.

Both interviewers see that green marketing has a strong positive effect to the companies' reputation. UPM measures its reputation annually among customers, investors and ENGO's (environmental non-governmental organization, such as WWF) and from the results can be seen that green marketing, especially when implemented in social media and Internet, is critical in building company's reputation. Lappeenrannan Energia also measures its customer satisfaction, and the results have shown that its customers think that it is more environmental friendly company than an average company. Pollari (2013) says, that the most important benefit from the green marketing to Lappeenrannan Energia is that it improves the company's image.

4.5 Challenges and Risks

“Business risk and to be avoided” (Taylor, 2013)

“Bad thing, decreases trustworthiness from all operators” (Pollari, 2013)

Both interviewees regard that greenwash is a risk to green marketing. Taylor (2013) considers it to be the biggest challenge for UPM Raflatac when implementing green marketing. For that reason Taylor says that they prefer term environmental marketing instead of green marketing, because term green marketing has implications to greenwash. For Lappeenrannan Energia, situation is better because of the industry; there are laws and criterions regarding the origin of the electricity. Company has to earn a label of ecological energy in order to market its electricity as “green electricity”. These regulations efficiently prevent greenwash in the industry and build a trustworthy basis for green marketing. For Lappeenrannan Energia, greenwash is harmful indirectly, because it decreases trustworthiness of area of green marketing.

Pollari (2013) thinks investments that are made to green marketing have to be moderate, because there is a risk that the results are not as good as expected. Some results of the green marketing are easier to measure than others. As an example he says that is easy to measure the amount of contracts made, but measuring the improvement of the company’s image, is not that simple. Green marketing may have many indirect effects, which are complicate to show concretely. Taylor (2013) also says that in general, marketing’s effects are sometimes hard to measure. But if the feedback from the market is positive, that is a result good enough to UPM Raflatac, even when there is absence of the financial results. One challenge to UPM Raflatac is to ensure that their sales teams understand the facts behind the environmental messages. (Taylor, 2013)

4.6 Opportunities in the Future

“Concrete and observable effects will be seen with persistent work” (Pollari, 2013)

Both of the interviewees see, that it is worthwhile to continue practicing green marketing in the future. Pollari (2013) argues that power markets in Finland are not mature for the green electricity yet. Though he thinks that, as the time passes by, green products may gain remarkable demand, and that way lead the salespersons and producers to more environmental friendly supply. He sees that the aim of the green marketing is to improve company's image and to bring commercial benefits as well, and these achieved new resources can be used in developing more environmental friendly production.

Taylor (2013) also sees that there is growing potential in the future regarding green marketing. UPM Raflatac's customers and end-users are becoming more aware of environmental issues and that brings growing opportunities for the company to be a sustainable, long-term supply partner.

5. Summary and Conclusions

The study explores green marketing as a phenomenon. Main objective of the study was to determine, which role green marketing has in company's strategy. This objective was attempted to achieve with the help of three sub-questions. Study also aims to find out, if green marketing can bring added value to the company. These questions were examined by scientific articles and literature, and also in practice by interviews made to the case-companies. Results of the interviews show that firms think that green marketing is important part of the strategy and brings certain benefits to companies. In the table below is listed key factors found from the empirical part of the study (Table 3). Issues, which are discussed in the theoretical part of the study, are also listed in the table. Findings done in the empirical study can be compared to the theories presented in chapters two and three.

Table 3. Empirical and Theoretical Findings of the Study

	UPM Raflatac	Lappeenrannan Energia	Findings in Theoretical Part
GM's Role in strategy	Core of the strategy	Central, but carefully thought	-
Benefits of GM	<ul style="list-style-type: none"> • Reputational Advantage • Sales Growth • Differentiation from the competitors 	<ul style="list-style-type: none"> • Reputational Advantage • Company Image Improvement 	<ul style="list-style-type: none"> • New innovations • Reputational Advantage
Pressures to GM	<ul style="list-style-type: none"> • Social Responsibility 	<ul style="list-style-type: none"> • (Customers) • Social Responsibility 	<ul style="list-style-type: none"> • Customers • Government • Competitors • Social Responsibility
Challenges in GM	<ul style="list-style-type: none"> • Greenwash • To get environmental message understood among sales teams 	<ul style="list-style-type: none"> • (Greenwash) • Measuring results • Payback from investments 	<ul style="list-style-type: none"> • Greenwash

Opportunities in GM	<ul style="list-style-type: none"> • Growing potential in the future 	<ul style="list-style-type: none"> • Growing potential in the future • Commercial Benefits 	-
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Competitive advantage means that firm is able to perform in one or more ways that competitors cannot match. (Kotler, 2006, 152) In case-companies green marketing was seen as a way to differentiate from the competitors and that way gain competitive advantage on the markets. In the theory part of the study, green marketing was seen as a possible source of competitive advantage. In researches existing was suggested that there is an opportunity to gain added value through green marketing. The empirical section of the study supports these findings, because both of the case-companies think that green marketing brings competitive advantage to the companies. In the theoretical part of the study, one source of competitive advantage was mentioned to be new innovations. This did not directly come up from the empirical research, though Pollari (2013) did mention, that incomes from green marketing could be used to improve the development of new green production.

A strongly noticed benefit in both of the companies was green marketing's positive effect on firm's reputation. Both companies measure their customer satisfaction and have noticed that environmental issues have a major correlation with the company image. Green marketing's positive effect to the firm's reputation was seen as one of the most important benefits to bring added value to the companies. This was also remarked in the theoretical part of the study. Improvement of the company image can be classified as an added value, because it brings more customers to the company and that way increases its sales (Roberts & Dowling, 2002, 1090). Positive impact of environmental performance to company's reputation is previously noticed in researches. (Spicer, 1978; Hamilton, 1995). Result of this study supports these former results.

For case-companies, decisions to start green marketing came inside of the companies. They wanted to achieve competitive advantage, differentiate from the competitors and improve company's image. Case-companies did not mention governmental, consumer, or competitive pressures as drivers. For Lappeenrannan

Energia, one reason to start green marketing was to offer environmental friendly products for the customers who appreciate them. This cannot be seen as an explicit consumer pressure, but customers' preferences did influence on company's decision.

From the problems and challenges in green marketing, greenwash was seen as a biggest both in literature and among the case-companies. Greenwash is quite a lot researched, though it is rather new phenomenon. In the literature, it is seen as a major problem, which can endanger the whole field of green marketing. Both interviewees agreed with that, although for Lappeenranta Energia the threat is not that relevant, because of the industry's restrictions. For UPM Raflatac instead, it is the biggest challenge company has to deal with in the field of green marketing.

From this study a conclusion can be drawn that green marketing has a significant role in case-companies' strategies and it brings added value to the companies. Type of the added value is depended on the industry and company itself. Most important benefits of the green marketing according to this study are its positive effect to the company image and differentiation from the competitors. Both of these can bring added value to the firm. Sales growth is also an important benefit, but only for the one case-company. Green marketing's role is center in case-companies' strategy and both of them see that its potential will be growing in the future.

In the further studies, it would be interesting to limit the study in some specific industry. In this study, both case-companies work in the industry, but their field of business differs a lot. Green marketing varies from company to company, but there may be some similarities between equivalent industries. In this study both of the case-companies found that green marketing is central in strategy, but these findings cannot be generalized, not in the level of extent of this study. In order to produce more reliable results, this study should be expanded by including more companies into the empirical research. It would also be interesting to include customer's perspective into the study, for example, of some specific green marketing campaign.

Then could be seen, how the green marketing strategy can be built to be as efficient as possible to match the customer's demands.

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Interviews

Interview 1. UPM Raflatac. Robert Taylor, Head of Communications and Environment. Email Interview. 18.11.2013.

Interview 2. Lappeenrannan Energia. Marko Pollari, Energy Sales Director. Email Interview. 21.11.2013

ATTACHMENTS

Attachment 1. Interview Form

Green Marketing and its Role in Firm's strategy

Background

- When did your company start green marketing?
- How does the company realize green marketing in practice?

Green Marketing as a Strategic Choice

- Why did you end up using green marketing?
- What kind of role you see green marketing has in your company's strategy?
- Do you think that green marketing is significant part of your strategy?
- How important part of strategy you think it is?
- Is green marketing a reflection of your firm's values?
- What is the ultimate purpose of green marketing in your company?

Effects of Green Marketing

- What effects you think Green Marketing has to your company?
- Economic effects: Do you think that green marketing influences positively to company's profit? If so, are the results measurable?
- Do you think green marketing effects on your company's reputation? How?
- What is the most important benefit of green marketing to your company?

Future

- What opportunities you see green marketing can offer?
- What are the risks in green marketing? What about problems and challenges? Are the results of green marketing hard to measure?
- What do you think about "greenwash" (being only superficially green) ?
- Do you feel, that green marketing is beneficial for your company and worth carrying?