

## What consumers want

1,431 words  
31 March 2008  
Economist Intelligence Unit - Business China  
Business China  
5  
Number x  
English  
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A growing number of marketers in China are pushing all kinds of green products and services

You may never know it by looking at the perpetually brown Beijing sky. But “go green” has been a national mantra in China since the launch of the current Five-Year Plan covering the period 2006-10. The government has earmarked over US\$157bn to environmental-protection projects. It is also cracking down on polluting enterprises more frequently. Indeed, the drum beat of official exhortations is making Chinese consumers more aware of environmental issues. For proof, just ask marketers who are increasingly touting their products’ green credentials.

### Negative headlines

The rise of green marketing in China coincides with a growing number of negative headlines. Scores of rivers and lakes have been contaminated with industrial runoff. More and more foreign consumers pause before buying toys, food and medicine made in the country. Some Olympic athletes are thinking of staying and training elsewhere, flying into Beijing only on the day of their competition. Unsurprisingly, independent government adviser Simon Anholt’s latest National Brands Index—which measures how countries are perceived in terms of cultural appeal, political stability and investment potential—shows that China’s score dropped by 4% between the fourth quarter of 2005 and the second quarter of 2007, nearly double the ground lost by any other country.

To differentiate their brands in China’s crowded markets, a number of leading companies have jumped on the environmental bandwagon. A host of sponsors—including GE, Kodak, Lenovo and Sinopec—have partnered with the organiser of the Beijing Olympics to showcase their environmental efforts during the sporting spectacular. Separately, General Motors (GM) Shanghai in January launched a “Drive to Green” strategy, touting its support for “the sustainable development of China’s automotive industry and the nation’s move toward creating an energy-efficient and environmentally friendly society.” In December China Mobile kicked off a “Green Initiative” for outsourcing, signing deals with 15 equipment manufacturers to reduce material usage and to lower power costs. Meanwhile, Huawei, a telecoms-equipment giant, claimed it saved 570m kwh of electricity in 2007 by deploying 100,000 energy-saving and less-polluting GSM base stations worldwide.

The country’s middle-class consumers, eager for better quality of life, are embracing these campaigns. Studies show that Chinese consumers are among the most environmentally conscious in the world. In April 2007 Synovate, a London-based research firm, found that 76% of Chinese who say they are concerned about climate change purchased green products in the past year—more than any other nationality surveyed. A separate study by Ipsos/MORI released in late 2007 showed that nearly 70% of consumers in China prefer to buy products and services from green companies, compared with 50% in Australia, 42% in the US, and less than 30% in France, the UK, Germany and Spain.

In China’s top-down society, the government plays a vital role in directing corporate and consumer priorities. A study in 2007 by Edelman, a US public-relations firm, found that government is the most trusted source of opinion in China, more than business, media or civic organisations. In fact, Chinese consumers believe that environmental protection is mainly the government’s responsibility. But they are more likely to change their behaviour if the government supports it, says Arjan Polhuijs, a Shanghai-based inventor with What If Innovation, a London-based consultancy.

Chinese leaders are not shy about their green ambitions. This year the government introduced cleaner fuel standards. In a more symbolic move, it also banned thin-film plastic bags. These actions had been preceded by a string of tough measures against offending enterprises in 2007. Authorities suspended export licences and denied quota applications for firms that violated environmental regulations. Despite resistance from local governments, the State Environmental Protection Administration (SEPA) also launched a “green credit” programme with China’s central bank, instructing commercial lenders to reduce or stop loans to firms

blacklisted for environmental breaches.

To be sure, the government's enforcement is patchy. But it does not plan to let up on issuing new environmental laws and regulations. By the end of this year the State Administration of Taxation is expected to announce higher resource taxes to help reduce waste and pollution. As early as in 2009 authorities could vote on a highly anticipated draft energy law that stresses conservation, safety and innovation, perhaps creating a new energy ministry. By 2015 SEPA also hopes to implement a "green insurance" system to monitor polluting industries and to give victims immediate compensation.

Companies get the point. Coca-Cola has pledged to become a net-zero consumer of water. Wal-Mart has committed to greening its supply chain. And new construction projects around the country are applying for the Leadership in Energy and Environmental Design (LEED) certification, a rating system developed by the US Green Building Council. Meanwhile, GE and BP, the masterminds of the "ecomagination" and "Beyond Petroleum" campaigns, are forming strategic partnerships with the Chinese government to provide environmentally friendly technologies and cleaner energy.

The list goes on. Chery, a Chinese carmaker, in 2006 unveiled the A5 ISG, a hybrid model. HP in 2007 expanded its corporate equipment-recycling programme to include consumers. And Lenovo, which took the top spot in Greenpeace's green rating for electronics in 2007, has launched a series of eco-friendly monitors and computers.

The challenge for marketers will be leveraging the momentum of the green movement to raise their companies' profits in the long run. Green business has already proven to be good business across Asia. Japan is a core market for Toyota's Prius hybrid, and Singapore's retail sales for organic food were worth some US\$40m in 2006, according to the UK's Organic Monitor, a market research firm. In China's competitive landscape, successful marketing requires "pounding the drum" and demonstrating tangible improvements, says Anthony Zolezzi, an eco-entrepreneur and author. Successful companies also pursue a larger effort to transform their operations, such as using fewer problematic materials, more renewable energy and boosting efficiency, according to Joel Makower, executive editor of GreenBiz.com.

Executives drawing up their green marketing formula should also heed lessons of the past. The conservation movements that proliferated in the US during the 1970s have been long forgotten. The reason, says **George Haley**, author of "Chinese Tao of Business: The Logic of Successful Business Strategy", is because they focused too heavily on the consumer sector rather than penetrating corporate strategy. And during the 1990s expensive, poorly designed and hard-to-find green products such as Heinz's all-natural cleaning vinegar failed to compete against traditional chemical alternatives. Even more damaging were companies' exaggerated environmental commitments and false product claims. Mobil's photodegradable plastic trash bags, for example, did not degrade properly in landfills. Such problems prompted the International Standards Organisation to issue environmental labelling and declarations to protect consumers.

Unfortunately, some dodgy green marketers continue to undermine the trend. Earlier this year Australia's Competition and Consumer Commission announced a crackdown on fraudulent green advertising or labelling, while the US Federal Trade Commission began probing companies' marketing of carbon offsets and renewable-energy certificates. China's monitoring and enforcement of green claims, too, remain weak, says Peter Hsiao, an environmental lawyer with Morrison & Foerster in California.

Here to stay

Despite the hiccups, green marketing is here to stay. Fundamental changes are occurring on the business-to-consumer, business-to-business and government-to-business levels in China. Companies now must incorporate environmental sustainability into their overall strategy, advises Richard Muller, Edelman's managing director in Shanghai. What will sustain green consumption is people's knowledge that environmentally friendly products benefit quality of life and, in particular, health. Research by What If Innovation shows that consumers in China worry daily about the quality of the air, food and water. In light of perceived health hazards, they are thus more likely to change their behaviour. This will spell trouble for companies singled out as water polluters unless they clean up their act.

Of course, consumers' preferences are a moving target. But their expectations of companies will only rise in the coming years. "Smart companies will align their products, processes and policies to continually rise, too," says Mr Makower of GreenBiz.com. Surely, brands that help meet the environmental goals of China's consumers and government will enjoy an advantage. Just make sure your products live up to all the talk from your marketing department.

SOURCE: Business China

bcbcm20080331t0000000005; Business China 31 Mar 2008, Part 5 of 19

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