



# Lessons learned from renewable electricity marketing attempts: A case study

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## Abstract

The choice of subscribing to renewable electricity has been available to Australian households for more than a decade, yet consumer uptake remains low for some green marketers. This case study uses a retailer's perspective to examine the implementation of a green marketing program for a renewable electricity retailer. Based on interviews, internal company documentation, and secondary research, findings show that effective differentiation for renewable energy is required to increase consumer involvement levels and the likelihood of consideration. While consumers lack understanding of, and interest in, renewable energy, the marketing program relied on customers to seek information. It was apparent the success of green marketing programs depends on the integration of education into a carefully targeted marketing program emphasizing functional and emotional values to differentiate renewable energy and simplify consumer decision-making processes.

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## 1. Renewable electricity marketing

The appeal of “clean” electricity has increased globally with the continued rise in consumer apprehension about climate change and mounting oil prices. Forecasts depict annual increases for businesses within the clean energy sector at between 20–30%, illustrating the significance of this area to economic growth (“Tilting at Windmills,” 2006). Environmental con-

sciousness has evolved into a societal norm as both consumers and firms aim to accept responsibility for the consequences of consumption. As a result, an increasing number of consumers now actively seek to purchase “green products.” In the area of utilities, generators and retailers of electric power have also examined their green options, albeit at a slower pace, setting up power plants that use renewable sources of power. Renewable electricity alternatives, including wind, solar, hydro, and biomass, respond both to the growing ecologically concerned market and increasing government regulations.

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The choice of using clean sources of electricity, or renewable electricity, has been available to Australian households since the mid 1990s through retailers with accredited Green Power products (Passey & Watt, 2002; Bird, Wüstenhagen, & Aabakken, 2002). While renewable electricity options are available to 96% of the population, actual usage stood at a low 1.5% of households 15 years after the introduction and availability of renewable electricity (National Green Power Steering Group, 2004). This can be compared and contrasted to other green alternatives. For example, the US organic food market was worth 2.3% of the total grocery market in 2004 with a value of more than \$14.7 billion (Bessant, 2006), while demand exceeds supply for the Toyota Prius (a dual powered vehicle) six years after its introduction. Customer wait time for this hybrid car model is as much as six months in the US and four months in Australia (Toyota Motor Corporation, 2005, 2006).

Growth of the renewable electricity industry relies on consumer uptake. Marketers of this service face an uphill battle as “energy use lacks visibility and requires a low level of interaction, obscuring the need for energy efficiency and reducing feedback in energy efficiency behaviors” (Ball, Cullen, & Gan, 1999, p. 122). Despite this, the adoption of green energy provides significant societal benefits including reductions in greenhouse emissions, improved air quality, and a suite of long-term benefits including curbing of environmental degradation. This places an obligation on marketers and government to inform and convince consumers of the benefits of renewable electricity. Marketing renewable power is a challenge. First, consumers are often unaware of the types of electricity harnessed or how the power is utilized. Second, consumers have little trust in the power retailers (Ottman, 1997; Wohlgemuth & Getzner, 1999). Finally, many consumers are unwilling to pay a premium for green goods in general.

The marketing of renewable electricity has been tackled by several agencies tasked to monitor global progress. However, the uptake and retention of renewable electricity services by consumers has not yet been as extensively researched in the management and marketing literature. The widespread use of these options is essential, as recognized by Greenaway (1994) who notes, “it is not the invention of new products/processes, nor their initial commercial exploitation, which brings the major benefits, but rather their widespread use” (p. 916).

Attitudinal research shows that norms and knowledge are critical to the formation of consumer attitudes (Ajzen & Fishbein, 1980). The formation of green attitudes is certainly no different. In fact, preliminary research demonstrates that norms are critical to an increase in the sense of responsibility

in society. By the same token, knowledge arms consumers with choices, and is a critical component in attitude formation. A number of green marketing studies have focused on green products and services, but the lack of literature on marketing renewable electricity is quite evident. An understanding of the green power consumer and the requisite purchase behaviors is particularly urgent. In this study we take a case study approach to examine why the adoption of renewable electricity is low.

## 2. Influences on renewable electricity marketing

Renewable electricity marketing is defined as the advocacy of providing electricity generated through environmentally friendly or sustainable means, including solar, wind, hydro, and bioenergy or biomass. For the purposes of this study customers are deemed to be household customers. The renewable electricity industry has published studies that focus on conflicts within the industry that have led to poor uptake (e.g., National Green Power Accreditation Program Quarterly, 2004). These studies have investigated the issues of consumer adoption of green products such as renewable electricity. The limited research that exists in this area also points to the relevance of understanding the theory of diffusion, as pioneered by Rogers (1976) in understanding uptake and the adoption of innovations. Factors cited in the extant research that inhibit uptake are consistent with those identified in this study. Reasons for poor uptake have included characteristics of potential customers (Passey & Watt, 2002), marketing methods including the role of augmenting consumer knowledge (Bird et al., 2002; Faiers & Neame, 2006; Rowlands & Parker, 2002; Straughan & Roberts, 1999), and government policy (Passey & Watt, 2002). We now examine these issues in turn.

### 2.1. Characteristics of potential customers

The nature of the potential green consumer must be understood to be able to introduce valuable incentives to increase consumer uptake. Knowledge of the consumer should be the focal point of all marketing action (Bell & Emory, 1971). Studies have been conducted which address the characteristics of green consumers. These studies have identified qualities of the people who are likely to exhibit Ecologically Concerned Consumer Behavior (ECCB) (e.g., Fuller, 1999; Hine & Gifford, 1991; Hounshell & Liggett, 1973; Kinnear, Taylor, & Ahmed, 1974; Samdahl & Robertson, 1989; Passey & Watt, 2002; Roberts, 1996; Roberts & Bacon, 1997; Roper Organization, 1990; Said, 1996;

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