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**Lo sviluppo di una strategia di marketing da
parte delle start-ups circolari e relative
problematiche: il caso *Roy Rebel***

**The development of a marketing strategy by
circular start-ups and related issues: *Roy Rebel's*
empirical case**

Relatore: Chiar.mo

Prof. Valerio Temperini

Correlatore: Chiar.mo

Prof. Andrea Sabatini

Tesi di Laurea di:

Giulia Pascucci

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ABSTRACT

L'obiettivo della tesi è individuare le principali sfide di marketing di una start-up circolare. Le start-ups circolari sviluppano e implementano prodotti o servizi innovativi con un impatto ambientale positivo, impiegando le risorse applicando le strategie dell'economia circolare: *Reduce, Reuse, Recycle* o *Recover*.

Tuttavia, è stato riscontrato che tali imprese sono soggette a numerosi rischi e sfide, dovuti sia alle loro dimensioni limitate e limitata esperienza nel mercato, ma anche al modello di business sostenibile che applicano. In particolare, è stato rilevato che una delle principali motivazioni che portano questo tipo di start-up al fallimento, relativa al marketing, è la difficoltà a stabilire una domanda continua dal mercato.

La ricerca si è focalizzata su un caso studio relativo ad una start-up circolare, Roy Rebel, che produce accessori utilizzando un materiale riciclato di propria produzione.

Per raggiungere l'obiettivo della tesi, è stata effettuata una ricerca qualitativa; la raccolta delle informazioni è avvenuta attraverso interviste semi-strutturate con i responsabili aziendali e un periodo di partecipazione attiva alle attività aziendali.

I findings principali sono stati l'individuazione di sei sfide relative all'attività di marketing che la start-up si trova ad affrontare, quattro delle quali sono relative a fattori interni organizzativi, e due relative a fattori esterni, non controllabili dall'azienda. Le sfide individuate, in particolare quelle esterne, danno un quadro

rilevante sull'importanza della fase di pianificazione che precede le attività operative di marketing di una piccola impresa come la start-up presa in considerazione, in quanto offre un prodotto innovativo e sostenibile, rivolto ad un segmento di mercato specifico. È stato riscontrato che, nonostante il focus delle start-up circolari sia sulle attività operative per applicare le strategie di economia circolare, tali attività devono comunque essere supportate da adeguate attività di marketing, al fine di valorizzare l'innovazione sostenibile, e assicurare una crescita economica per la sopravvivenza del business.

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INTRODUCTION

Nowadays, the concept of sustainability has been brought to the spotlight, following the increased awareness of citizens, governments and companies, on social and environmental issues. Concerning the environmental aspect, it is well known that today the planet is witnessing not just a simple climate "change", but a real climate crisis. For this reason, there is a need for immediate action by individuals, but above all by companies and organizations, to reduce the impact of human activities on the environment. It is necessary, indeed, to engage in more sustainable business activities, in order to reduce the exploitation of the natural resources, as well as polluting emissions. Start-ups, in this sense, are playing a major role in introducing disruptive innovations that could lead to a transition to a greener economy, by applying innovative sustainable business models to apply the principles of environmental sustainability. In particular, circular start-ups develop and implement innovative products or services by applying the strategies of the circular economy, a production and consumption model aimed at reducing, and eventually ending, the exploitation of natural resources and waste generation.

It has been found that such companies are subject to numerous risks and challenges, due both to their limited size and limited experience in the market, but also to the sustainable business model they apply. In particular, it was found that one of the main reasons that leads this type of start-up to failure is a marketing issue, the

difficulty in establishing a continuous demand from the market. Despite the relevance of an issue of this kind, a gap was found in the literature relating to prior studies on green start-ups and related marketing challenges. Therefore, research was carried out to gather more information on this topic, by considering the case study of a circular start-up, Roy Rebel, which produces accessories using a recycled material of its own production. The work aims at detecting the main challenges that a green start-up faces when developing a marketing and communication strategy.

The thesis has been developed in order to first have a general overview of the sustainability and circular economy concepts, and then go into more detail, moving into the field of green start-ups and marketing, up to the case study.

The first chapter deals with the two basic concepts of the present work, sustainability and the circular economy. In particular, it analyses how companies can apply the principles of sustainability in their business activities, in order to "do well by doing good", that means be profitable by having a positive impact on society and the environment. Following, the concept of circular economy is analysed, as opposed to the linear economy, and how companies can apply the principles of this sustainable production model, in order to create and deliver value.

The second chapter analyses the broad concept of green marketing, firstly by defining it and retracing the evolution of the concept over the years, then considering it both from a strategical and operational point of view; the importance of the research and planning phase is highlighted, together with the traditional

marketing mix elements adapted to the green strategy. A focus on the development of a coherent green communication strategy has been made, to communicate the green values to the right audience transparently and engagingly and avoiding the practice of “greenwashing”. Finally, the last part has been dedicated to the thorough tool developed by J. Grant, the “Green Marketing Matrix”, that displays some useful strategies that green companies can apply, depending on their features and goals.

The third chapter deals with the concept of green start-ups; after a brief overview on start-ups, their main characteristics and life-cycle phases, green and circular start-ups are introduced. The focus has been on the main challenges they face, considering data on their failure rates, comparing those concerning both green and “non-green” start-ups. Since the focus of the thesis is on marketing, the last paragraph will be dedicated to some marketing key insights relating to start-ups, to address the case study.

Finally, the fourth chapter is dedicated to the case study: first the research methodology used to acquire and analyse the information has been described, then the company’s history, the main milestones and the communication activities. The findings made it possible to obtain interesting insights on the case, which have been developed in the concluding part.

CHAPTER 1 - SUSTAINABILITY AND CIRCULAR ECONOMY

1.1 ENVIRONMENTAL SCENARIO OVERVIEW

Today, climate science is telling us that we are no longer witnessing climate change, but we are in a climate emergency, thus highlighting the urgency of the situation. There is a plain awareness in the society for this situation, that was brought into the spotlight especially after the COVID-19 pandemic, spread especially by the younger generations, as it has been seen from the recent events such as the many global climate strikes organized all around the world, after a single Swedish girl, named Greta Thunberg, started a climate strike on her own, demonstrating that no one is too small to make a difference. The communicative power of media, especially via the Internet and social media has further contributed to the increase of awareness on the emergency and the need to act.

It is a situation that requires immediate action by governments, organizations and individuals and it is complex since many issues need to be considered and faced.

Today, there is a huge demand for resources on the Planet and consequently overexploitation of the natural environment, and to mark this, the Earth Overshoot Day was introduced. It indicates the day in which humanity's demand for ecological resources and services in a given year exceeds what Earth can regenerate in that year. This means that from this day until the end of the year human beings will live "in debt" with the natural resources of the environment, by drawing on soil, forests

and energy reserves that ecosystems cannot easily renew, making the passage on the planet even more marked. In 2021, it was July 29th, equating the global consumption of resources equal to 1.6 Planet Earth, instead of one, and over the last decades, the date has been approaching the first part of the calendar, although at a slowing rate, as it is possible to see from the Figure 1.

The increase in worldwide consumption and production has brought to overexploitation of natural resources. This, together with the increase in the world's population, that according to the United Nations Department of Economic and Social Affairs (2019), could grow to approximately 9.7 billion in 2050, means that the equivalent of almost three planets could be required to provide the natural resources needed to sustain our current lifestyles.

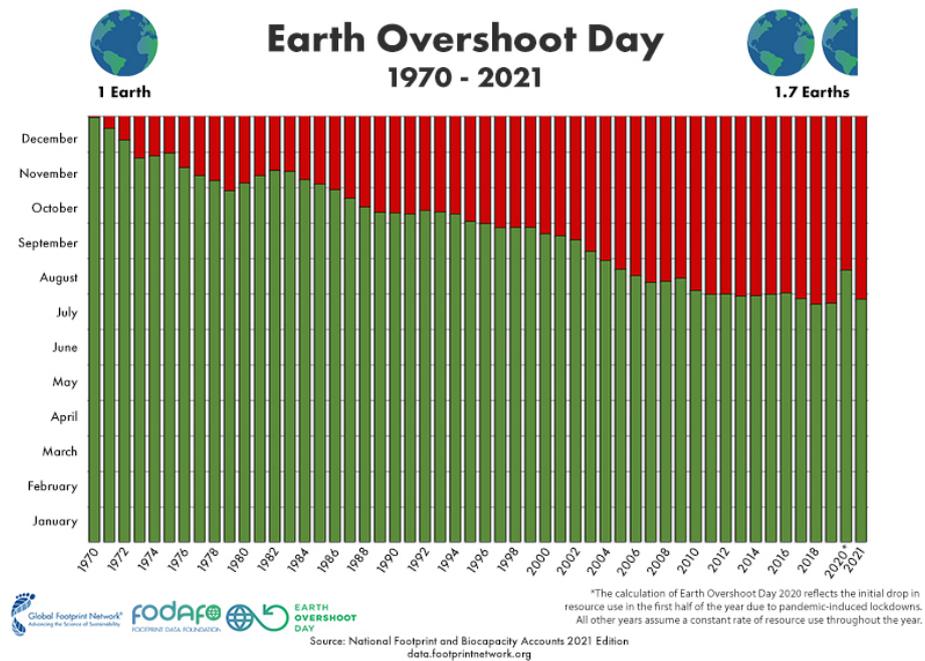


Figure I.1 - Source: overshootday.org

Another relevant issue is related to polluting emissions from human activities, that build up in the atmosphere and warm the climate, leading to many other changes, in the atmosphere as well as on land and in the oceans.

The most significant stance on this matter was made with the Paris Agreement on Climate Change in 2015, which was negotiated by 196 states at the 21st Conference of the Parties to the UNFCCC and then signed by 195 members in November 2018. The main commitment made by the parties was to keep the global average temperature increase below the 2°C threshold, above the pre-industrial levels, and to limit this increase to 1.5°C soon, to substantially reduce the risks of climate change.

The drastic situation has increased awareness of the need to act concretely, especially on the part of individuals and organizations. Although urgent and unprecedented changes are needed to reach the target, it is claimed that few concrete actions have been deployed to achieve the objectives. The years following the Paris Agreement were the hottest ever recorded globally, and since then 200 gigatons of CO₂ have been emitted into the atmosphere. This issue has been especially highlighted after the United Nations Climate Change Conference, more commonly referred to as COP26, held in November 2021 in Glasgow, Scotland, which was the first ratcheting up since the Paris Agreement of COP21.

The figure who most of all had an impact in spreading awareness on the environmental crisis and the government's inertia was certainly that of Greta Thunberg. She inspired the Fridays for Future movement, according to which "there is no Planet B", therefore it is necessary from the outset that politics and citizens take action to ensure the maintenance of ecosystems by limiting human pollution.

This "boom" in climate action has been emblematic of the growing interest of the population in issues such as global warming and environmental protection, leading to the so-called "Greta effect", for which company leaders are also taking a greater interest in the impacts of the organizations on the environment.

What has been achieved so far? According to the United Nations, "although climate change action needs to be massively increased to achieve the goals of the Paris

Agreement [...] what has been achieved are low-carbon solutions and new markets, [...] Zero-carbon solutions, especially in the power and transport sectors”.

1.2 SUSTAINABILITY IN BUSINESSES

1.2.1 The concept of sustainability

The introduction of the concept of sustainability has been one of the deepest developments of green thinking. In 1987, the United Nations published a report called Our Common Future, more commonly known as the “Brundtland Report”, after Norway’s Prime Minister Gro Harlem Brundtland, who chaired the commission. This report described for the first time the concept of “sustainable development”, regarded as the source of the common definition of sustainability: “sustainable development is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” There is therefore an assumption that resources are limited and that they should be used with caution, with a long-term view, considering the consequences on how human beings use them. In other words, sustainability is about the world we will leave to future generations.

Sustainability is divided into three intertwined pillars: environmental, social and ecological, which have to be balanced to achieve the sustainability goal.

- *Environmental sustainability*: it focuses on the well-being of the environment, eco-system integrity and biodiversity protection (Kahn, 1995).
- *Social sustainability*: this pillar is focused on achieving balance and equity, through equitable income distribution, employment, equitable access to resources and services, balance between respect of tradition and innovation, and self-reliance, cultural identity and self-confidence (Sachs, 1999).
- *Economic sustainability*: this pillar is focused on achieving economic growth and development without negatively impacting the environment and society.

The United Nations apply the three pillars of sustainability to its development initiatives. Today, the UN agenda includes 17 Sustainable Development Goals contained in the 2030 Agenda for Sustainable Development, which are recognized as the international standard for sustainable development. This is a program signed in September 2015 by 193 governments of UN countries, made of 17 main objectives, that are declined in 169 targets. These goals aim to create a better world by 2030, by ending poverty, fighting inequality and addressing climate change. Governments, businesses and civil society of each State have to work together, to achieve those goals, through new regulations and best practices.

The Sustainable Development Goals aim to address a wide range of issues related to economic and social development, including poverty, hunger, the right to health

and education, access to water and energy, employment, inclusive and sustainable economic growth, climate change and environmental protection, urbanization, production and consumption patterns, social and gender equality, justice and peace. Those goals are broad and interdependent, and for each of them several specific targets were applied, to make them more “actionable”, along with some indicators to measure the process.



Figure I.1 - Source: www.un.org

1.2.2 Sustainability in businesses

For a long time, business and society have been viewed as something opposite and in contrast between themselves. Indeed, from the companies’ point of view, for a long time, there was the legitimized idea that bringing a benefit to the society would

have meant a constraint on the corporation, such as higher costs (Porter and Kramer, 2011). From society's point of view, companies are increasingly perceived to be prospering at the expense of the broader community, and a cause of social, environmental, and economic problems, bringing to a fall in the legitimacy of businesses (Kramer and Pfitzer, 2016).

Nowadays, with the world being characterized by great changes, there is an ever-growing awareness of major societal and environmental challenges, and businesses are expected to bring their contribution over the use of limited resources, the environment, working conditions, and government policy.

Today, many organizations are incorporating sustainability into their business strategy: as a survey conducted by McKinsey shows, 70% of the interviewed companies said their companies have formal governance of sustainability in place. According to the research, the factors that most motivate entrepreneurs to adopt a sustainable orientation are to align with a company's goals, missions, or values, build, maintain, or improve reputation; meet customers' expectations, and develop new growth opportunities.

The strategies applied can be very different, since they are linked to the business goals and values of each company, and this makes the sustainable companies' universe quite heterogeneous. Some examples of the activities that can be carried out by those companies are: using sustainable materials in the manufacturing process, optimizing the supply chain to reduce greenhouse gas emissions, relying

on renewable energy sources to power facilities, and sponsoring education funds for youth in the local community (Harvard Business Review, 2018).

1.2.3 Corporate Social Responsibility

CSR is “a business model in which for-profit companies seek ways to create social and environmental benefits while pursuing organizational goals, like revenue growth and maximizing shareholder value” (Harvard Business Review).

The implementation of CSR is a free choice of the company, aimed at applying approaches and tools to integrate environmental and social related aspects into the organization, to maximize the creation of shared value with stakeholders and preventing or decreasing the negative impact of the business on both the environment and society.

One of the best-known models of CSR is Carroll’s pyramid, developed firstly in 1991. According to Carrol, CSR “encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time”. Therefore, the pyramid is built on those four elements, that reflect the fundamental roles played and expected by organizations in society.

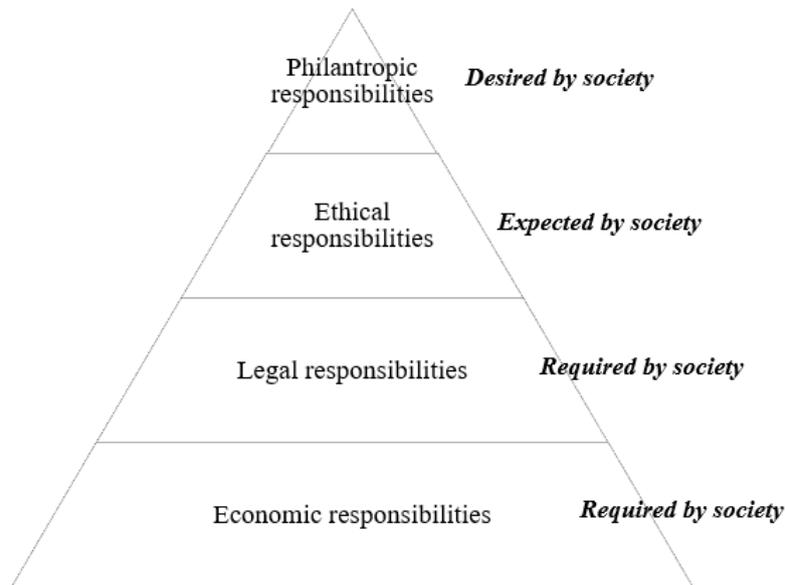


Figure I.2 - Source: own elaboration of Carroll's pyramid (Carroll, 1991)

The economic responsibility is placed as the base of the pyramid since it is considered the foundational requirement for each business. Indeed, without profit, for the company it would be impossible to survive and operate to bring benefits to society.

As the second block, there are legal responsibilities, because each business is expected to comply with the law and regulations of society in order to provide a foundation for legitimate business growth.

Furthermore, businesses are expected to comply with ethical responsibilities, meaning that they have to do what is right and fair, without putting harm to the stakeholders and the society. In this sense, the company should have a positive impact on the environment and treat the employees fairly.

Finally, at the top of the pyramid, there is philanthropy, meaning that each company is expected to “give back” what they take from the society with their operative activities, giving financial, physical and human resources contributions.

It is important to note that the four elements of the pyramid do not have to be considered as unique, but interrelated to one another, shaping a unified system (Carroll, 1991; Carroll & Shabana, 2010; Okpara & Wynn, 2012).

CSR is not applied in the same way by organizations; however, the final goal is the same: “do well by doing good”, that means be profitable by having a positive impact on society and the environment. To better understand how CSR applies, let's consider Starbucks, engaged in the ethical sourcing of its raw materials. In 2015, Starbucks verified that 99% of its coffee supply chain is ethically sourced while aiming at reaching 100% through partnerships with local coffee growers and organizations. The company has its economic, social, and environmental standards continuously assessed, to maintain a positive impact, and this has led to the award given as one of the world’s most ethical companies in 2021 by Ethisphere.

1.2.4 Creating Shared Value

In 2006, Harvard Business School professor Michael Porter, together with Mark Kramer, introduced the concept of “Creating Shared Value” (CSV), which was presented as an alternative to business strategies that included CSR as something that was added later, the result of an afterthought.

According to them, Shared Value is “a management strategy, in which companies find business opportunities in social problems”, reconnecting in this way company success with social progress. In other words, “creating economic value in a way that also creates value for society by addressing its needs and challenges”.

The difference between this concept and that of CSR is that the latter focuses on trying to reduce the harm a business brings on society as much as possible, while CSV’s key point is the fact that profits are made through products or services that solve social problems, unlock opportunities, and bring a net positive contribution to society and the planet (John Grant, 2021).

According to Porter and Kramer, this concept links progress and greater benefits to the society, together with innovation and economic growth, and, in the case all companies started to take decisions through the concept of Shared Value, this would be the core of the next wave of global growth.

There are three key ways that companies can create shared value opportunities:

- By reconceiving needs, products and (served or underserved) markets. In this way, many opportunities for growth open, bringing benefits to the society, like healthier food, environmentally friendly products or products or services that help disadvantaged communities and developing countries.
- By redefining productivity in the value chain. The value chain of a company has consequences on society, related to natural resources exploitation, health and safety, and working conditions. Companies that have a shared

value perspective, will devise new ways of operating to address issues on the value chain, such as efforts to limit pollution or exploitation of materials.

- By enabling local cluster development. Each company is part of a wider infrastructure, made of other firms, suppliers, and logistical infrastructure, but also institutions, organizations, and the surrounding community. Companies pursuing shared value operate by addressing gaps or failures in the external framework. In this way, there is a connection between the firm's success and the community's success, since the firm's growth has a multiplier effect on the local economy, such as higher employment, new companies, and new services.

Companies pursuing a shared value are defining a new set of best practices that all companies should embrace as their strategy. After the company has chosen its unique positioning and a value chain to deliver on, shared value brings many opportunities, in terms of new needs, new products, new customers, and new ways of structuring the value chain, bringing sustainable competitive advantages. To conclude, as Porter and Kramer said: "Not all profit is equal. Profits involving a social purpose represent a higher form of capitalism, one that creates a positive cycle of company and community prosperity."

1.2.5 The Triple Bottom Line

It has been said that sustainability is often mentioned as a goal for companies, however, assessing the degree of sustainability could be difficult. During the mid-'90s, John Elkington developed the triple bottom line (TBL) concept, a new accounting framework for measuring firm performance, which introduced, in addition to traditional economic and financial measures, such as profit, return on investment, and value for shareholders, also environmental and social dimensions. Therefore, the TBL framework incorporates three dimensions of performance: Social, Environmental and Financial, also commonly known as the 3Ps: people, planet and profits. The idea is that companies should account for their environmental and social impact, and report these in the same league as their finances.

Companies employ this framework due to its compelling sustainable nature and to the fact that, setting sustainability as a core value, there is much evidence of greater long-term profitability. To better understand how this framework works, an example is given by John Grant: Cascade Engineering, an American manufacturer and marketer specialized in injection molding, develops an annual Triple Bottom Line report, and identifies, for each of the 3Ps, some variables to assess the performance of the company related to each of them. For instance, for the Profit, variables such as the amount of taxes paid are considered. Concerning People, the variables considered are the average hours of training/employee, career retention,

charitable contribution and safety incident rate, while for Planet, the variables are greenhouse gas emissions, use of post-consumer and industrial recycled material as well as water consumption and amount of waste to landfill.

However, numerous criticisms have been leveled at this evaluation system, relating to the fact that the 3Ps do not have a common unit of measurement that allows the performance of different companies to be compared, consequently there is no universal standard method for calculating the TBL. On the other hand, this gives the possibility to adapt this framework to the needs of different types of organizations, such as both companies and non-profit organizations, as well as different projects or policies, like investments in infrastructures or educational programs, or different geographical borders, such as a city, a region or a country. John Grant has highlighted the importance of this tool, that, “still did something important in bringing sustainability inside core business thinking, where previously ‘environmentalism’ had been an external irritant.”

1.3 CIRCULAR ECONOMY

One of the goals of SDG of Agenda 2030, Goal 12, is named “Ensure sustainable consumption and production patterns” and asks for “a good use of resources, improving energy efficiency, sustainable infrastructure, and providing access to basic services, green and decent jobs and ensuring a better quality of life for all.”

One of its targets (12.5) states that "by 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse."

To pursue it, it is necessary to decouple economic growth and human well-being from resource use and environmental impact, in other words, to ensure that current material needs do not lead to the over-extraction of resources and the degradation of environmental resources (Ellen McArthur Foundation). Consequently, great changes in consumption and production patterns are needed.

Minimizing waste generation and maximizing the recycling of waste is central to the concept of circular economy.

1.3.1 From linear to a circular economy

The industrial economy, ever since the industrial revolution, has been characterized by a linear production and consumption model that follows the "take-make-dispose" pattern. According to that, companies extract materials, use them to produce the products, using energy and labor, and sell them to the consumers, that in turn, discard them when it no longer works or is useful (Ellen McArthur Foundation, 2013).

This production and consumption pattern originates in the 1900s, with the introduction of mass-production, which overwhelmed the previous mainly artisanal manufacturing, and was driven by the Fordism of the US auto industry. This change was brought about by the increase in the demand and the application of economies

of scale, with companies placing as many products on the market as possible, while trying to lower production costs, to increase profits. Moreover, with advertising, people are continuously stimulated to buy even things that they do not need, and the production process follows a “produce and consume” trend.

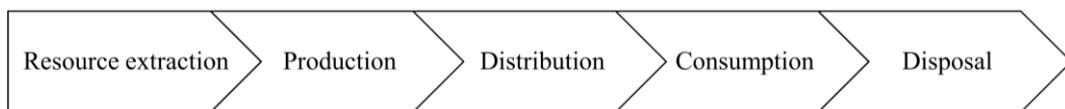


Figure 1.3 Source: own elaboration of the Material's Economy phases

According to this model of production and consumption, the life of each product is essentially marked by five stages: extraction, production, distribution, consumption and disposal, and each of them has a great impact on the environment.

Starting from resource extraction, raw materials are being extracted at a great speed, without considering that they are limited and even if they are renewable, many of these need time to regenerate. Indeed, only in the last thirty years, it has been estimated that a third of the resources of the planet have been destroyed (WWF).

During the production phase, a great deal of energy and chemicals are used to manufacture the goods, and polluting materials are released into the environment.

The same happens during the distribution of the products, which need a lot of energy and cause increasing emissions of CO₂. People are pushed to consume more

and more and finally, each good follows a “cradle to the grave” pattern, meaning that the good, after being consumed, is disposed of in the environment (Ellen McArthur Foundation).

This linear model is less and less suitable for today’s reality, since it has negative consequences both on the environment, both on businesses. This model has environmental effects due to the emission and waste generated; moreover, it is not efficient since new raw materials must be extracted to create new products, causing further depletion of energy. In addition, there are many risks for entrepreneurs that are dependent on scarce natural resources. Firstly, the risk related to supply uncertainty and changing customer preferences, that could bring to revenue reduction. Another risk is related to cost increases, due to the rising and volatile prices of the raw materials. Finally, another risk is related to intangible assets, such as the brand value of the company, that could be eroded by the unsustainable business practices carried out by the company, pushing both customers and policymakers to favor more sustainable companies (Accenture, 2015).

Therefore, a complete change in the way of operating is needed and it must permeate all the phases of the value chain, from design, to production, to consumption, up to the end-of-life, that have to be rethought to limit the exploitation of material and energy, to minimize waste and prevent negative externalities. Among the alternatives considered, the circular economy model, according to Accenture, is “one of the few viable and scalable growth models that can radically

improve resource productivity to reverse these trends. And, in the process, drive greater innovation and job creation.”

1.3.2 Defining Circular Economy

The concept of circular economy has been introduced as an alternative production model that draws inspiration from the natural cyclical model. According to the definition of the Ellen MacArthur Foundation, which is considered the leading institution for disseminating information on the circular economy, CE is “an economy which is regenerative by design. It is a system in which all activities, starting with extraction and production, are organized in such a way that someone’s waste becomes the materials for someone else’s creation.”

CE is related to the material flows in the value chain. It is characterized by two material cycles (Ellen MacArthur Foundation, 2012): the biological cycle, which is made of the flows of food and biologically based materials (such as cotton, wood), that are designed to return to the biosphere to regenerate natural capital, and the technical cycle, which relates to the flows of inorganic or synthetic materials, that are designed to last and circulate, without entering into the biosphere.

1.3.3 Principles of Circular Economy

According to the Ellen McArthur Foundation, CE is based on a few principles:

- *Design out waste*: the concept of waste is no longer considered, since it disappears from the production cycle, because the biological and

technological components of a product are intentionally designed to re-enter the cycle as biological materials or as artifacts designed for disassembly and regeneration. Organic nutrients are non-toxic and can simply be safely composted, whereas technological nutrients such as polymers, alloys and other materials are designed to be reused with minimal energy depletion and to maintain the highest level of quality.

- *Build resilience through diversity*: in the circular system, the concepts of versatility and adaptability are essential. Therefore, systems characterized by internal diversity, flexibility and many connections, have greater resilience to external shocks, compared to standardized and uniform systems, which were built just for efficiency and throughput maximization.
- *Rely on energy from renewable sources*: circular activities are run on renewable sources, starting gradually to exclude fossil sources, whose regeneration times take a long time.
- *Think in “systems”*: it is necessary to think systematically, considering the numerous parts that interact mutually within a system, and the relationship that is created between them. The elements of the circular economy are considered as having mutual relationships with the elements of their external environment. By thinking systemically, it is possible to design non-linear and feedback-rich systems, instead of having to limit attention to one or more parties or only to short-term effects.

- *Waste is food*: the biological nutrients have to be reintroduced into the biosphere, through non-toxic and regenerative cycles. On the other hand, the technological nutrients can be improved, for example through a process called "upcycling" (McDonough and Braungart, 2013).

To sum up, the circular economy model embodies all the steps of the value chain, from upstream operations directly to waste, that must be minimized up to its total elimination; this can be done through the study of the material flows and the design of the product itself. First, it is necessary to divide the materials into "technical" and "biological", to understand which of them can be reused within the product life cycle. At the downstream part of the value chain, there are the reuse of products and the recycling of materials. Waste that is no longer recyclable must be used for energy production. (Ellen McArthur Foundation, 2015)

1.3.4 Implementation of Circular Economy

The circular economy is traditionally based on the 4Rs: Reduce, Recycle, Reuse and Recover, which are the processes by which firms implement their circular strategies in the production chain. They have a common goal, transforming waste into resources.

- *Recover*: it means incinerating residual flows with the recovery of embodied energy.

- *Recycle*: it refers to process materials through processes such as shredding or melting to obtain the same (upcycling) or lower (downcycling) quality. This brings benefits to the supply of materials, that in this way originate from used objects and not by always resorting to the use of virgin raw materials.
- *Reduce*: it means increase the efficiency of product design or manufacturing by preventing or minimizing the use of specific hazardous materials or any virgin materials, or allowing for more intensive product use, avoiding in this way potential residual resource streams before the product even gets in circulation.
- *Reuse*: it means all the operations aimed at extending the use phase of products, meaning that products are generally used again for the same purpose for which they were conceived, thereby retaining most of the resource value (Castellani et al., 2015).

They follow a hierarchy that corresponds to the different degrees of resource value retention, that means “conservation of resources closest to their original state, and in the case of finished goods retaining their state or reusing them with a minimum of entropy as to be able to give them consecutive lives” (Reike et al., 2018, p. 254). Therefore, Recover and Recycle have lower resource retention, because they deal with products after their use, that have lost their original structure and quality.

Kirchherr et al. (2017) have identified several frameworks developed by different scholars, such as the 6Rs (Sihvonen and Ritola, 2015) or even 9Rs (van Buren et al., 2016; Potting et al., 2017), which is summarized in the following table.

<p>Circular economy</p>  <p>Linear economy</p>	<p>Smarter product use and manufacture</p>	<p>R0 Refuse</p> <p>R1 Rethink</p> <p>R2 Reduce</p>
	<p>Extend the lifespan of the product and its parts</p>	<p>R3 Reuse</p> <p>R4 Repair</p> <p>R5 Refurbish</p> <p>R6 Remanufacture</p> <p>R7 Repurpose</p>
	<p>Useful application of materials</p>	<p>R8 Recycle</p> <p>R9 Recover</p>

Table 1.1 Source: own elaboration on the 9R Framework from Potting et al. (2017, p.5)

Starting from the final part, the first circular strategy that can be applied is “useful application of materials”, characterized by two sub-strategies: Recover and Recycle. It includes all the processes aimed at the extraction of value from products that cannot be used for the purpose for which they were originally designed and therefore channelled for disposal. Recycling, differently from the common view, represents the lowest degree of circularity, since if the products are not designed to be transformed into something else. Indeed, when they are recycled, most of the time they will give life to products that are poorer, less resistant and therefore of lower value (downcycling). Furthermore, to be able to reuse these lower quality products, continuous development of transformation systems is required, with a higher expenditure of energy and emissions.

The following strategy concerns the “extension of the lifespan of products and its parts”, characterized by Repurpose, Remanufacture, Refurbish and Reuse and has a higher degree of circularity since the goods processed can be reused more times. Also in this case, the role of innovation is very important, both for the development of used product recovery systems and for product design techniques which must be based on their adaptability, versatility and modularity. (Potting et al., 2017)

Finally, the last strategy is “smarter product use and manufacture”, characterized by Reduce, Rethink and Refuse, which are processes aimed at promoting intelligent use and processing of products, by totally rethinking the production process. (Ghisellini et al., 2017)

When, within any strategy, all nine intervention modes are implemented, the circle closes: the circularity is completely implemented.

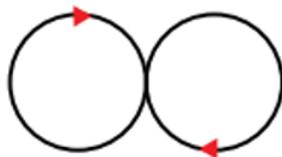
1.3.5 Value creation in Circular Economy

The different circular setups can differ significantly, depending on the products offered, the components and material used, the geographical location of the company, or the segment in the global supply chain. However, it is possible to say that at its core, a circular economy is about value creation, that can be created in four broad areas (Accenture, 2015).

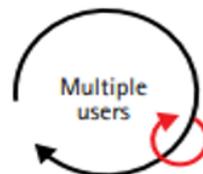
- *Lasting resources*: circular economy implies the use of resources that can be continuously regenerated for productive use, with the aim to make them last forever, such as renewable energy and biochemicals. In this way, it will be possible to reduce the externalities on the environment, but also saving materials, energy and capital embedded in the material manufactured.
- *Liquid markets*: they are markets where products and assets are optimally utilized by becoming easily accessible and convertible between users. In this way, it is possible to eliminate the idle time of products in the market, that is the period in which that product could be available and ready, but it is not being used, and therefore grow the number of users that receive benefits from the same volume of goods.

- *Linked value chains*: value chains where zero waste is generated from production to disposal, by boosting recycling and resource efficiency. In this way, it is possible to minimize resource value destruction within the value chain by reclaiming and linking up waste outputs as useful inputs into another production process.
- *Longer life cycles*: circular economy implies designing the products to ensure their longevity, for example through service, upgrade and remanufacturing. Indeed, keeping products in economic use for longer will satisfy a greater demand without the necessity to use more natural resources.

Lasting resources



Liquid markets



Linked value chains



Longer life cycles



Figure I.4 – Source: Accenture, *Circular Advantage*. (2015, May 22).

1.3.6 Circular Business Models

Well-established companies, with an existing and consolidated organizational structure, which decide to pursue the principles of the circular economy must transform the existing business model, questioning the business models used up to that moment and dealing with new needs and requirements of the market. In this sense, start-ups are favored, because they are already born following a circular business model, and which by definition pursue innovative strategies and processes. Five circular business models have been identified by Accenture (2015). They can be applied individually or in combination with one another, to bring benefits to companies in terms of resource productivity gains and, in the process, improve differentiation and customer value, reduce service and ownership costs, generate new revenue and reduce risks.

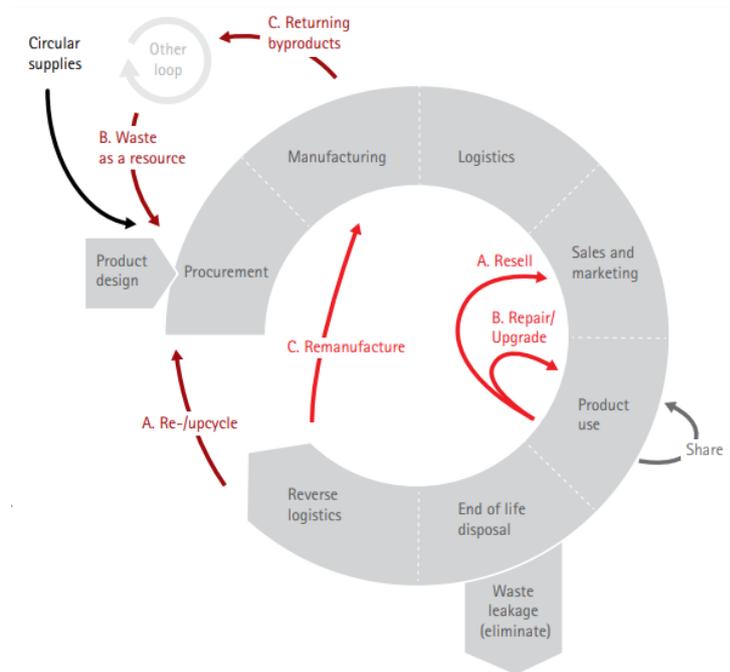


Figure I.5 - Source: Accenture, *Circular Advantage* (2015, May 22).

- *Circular Supplies*: companies that apply this business model are completely supplied by renewable sources and from materials that are recycled, recyclable or biodegradable. This model makes it possible to push market demand towards a lower use of non-renewable or scarce resources, as well as reducing the quantity of waste and removing system inefficiencies.
- *Resource Recovery*: companies that apply this model recover the intrinsic value at the end of the life cycle of one product to fuel another. In this way, they promote the return of resource flows by transforming potential waste into value, through innovative reuse and recycling. The reuse can be done of some components as well as the whole product. Having its base in

traditional recycling markets, this business model leverages new technologies and capabilities to recover nearly any type of produced resource at or above the initial investment value. It allows a company to eliminate material losses and maximize the economic value of product return streams and is suitable for companies that produce large volumes of by-products or where product waste material can be recovered and reworked conveniently.

- *Product Life Extension*: a business model based on designing products to last over time. Materials that otherwise would be wasted are maintained or even improved, such as through remanufacturing, repairing, upgrading or re-marketing. By extending the lifespan of the product for as long as possible, companies can keep material out of landfills and discover new sources of revenue.
- *Sharing Platforms*: companies applying this model are centered on assets that have low ownership or use rates and can thus maximize the use of these products, especially thanks to the increasingly advanced digitalization, to improve productivity and value creation.
- *Product as a Service*: a business model according to which the products are used with a similar logic as a leasing or a pay-per-use product, compared to the traditional purchase-by-property approach.

Businesses are increasingly aware of the relevance of circular economy and circular business models that are bringing disruptive innovations around the world. According to Accenture, the main disruptive innovations in the circular economy have been brought by start-ups, but now also big and well-established companies are taking serious steps. However, specific political, social, economic and technological barriers to practical implementation and wider acceptance persist. According to research conducted by GreenBiz, the main barriers to the implementation of circular business models are insufficient business cases (36%), poor understanding or education of managers (36%), which might influence risk perception for circular investments and finally, the high cost, such as logistical costs of recovering waste from other processes (36%). Furthermore, other barriers that should be added are lack of a market for circular products, the need to prioritize other business objectives, weak political signals for the transition to a circular economy as well as poor consumer awareness. However, as Greenbiz states, barriers can be turned into great opportunities.

Indeed, adopting a circular model could bring many benefits, both to the company, the society and the environment. As the European Union investigated, the adoption of circular practices gives many advantages, in terms of growth and competitiveness development, since business models are less linked to the use of raw materials and therefore allow the development of a cost structure less exposed to price volatility risk due to both market dynamics and regulatory interventions. Another advantage

is in terms of innovation: companies are pushed to rethink their traditional business models, thus opening new opportunities in every business area.

The environment is of course another factor since by applying the circular economy principles, companies can limit their environmental impact and minimize resource exploitation. Finally, the circular economy could bring several social improvements, related for example to employment, thanks to the introduction of new production activities to pursue the circular principles and the growth of new value-added services.

The next chapter will introduce the concept of green marketing, necessary for the transparent promotion and enhancement of products resulting from the effort and commitment of these new sustainable realities.

CHAPTER 2 - GREEN MARKETING

2.1 DEFINING GREEN MARKETING

Nowadays, there is an intense concern about the environmental situation that has brought to a debate between the role of marketing and the natural environment, that, according to John Grant, author of the well-known “Green Marketing Manifesto”, “seem to row against each other, as one wants people to consume less, the other more”. However, they are not always in opposition, because organizations, through their marketing activities, can help sell new lifestyles in order to reduce the impact of people on the planet and limit the effects of climate change.

Peattie (2001) uses the term Green Marketing to describe “marketing activities which attempt to reduce the negative social and environmental impacts of existing products and production systems, and which promote less damaging products and services.”

According to John Grant, Green Marketing has three main goals:

- Commercial objectives: it brings profit to the firm. If the company's activities fail to meet this goal, the organization cannot survive.
- Environmental objectives: it offers to the market eco-sustainable products or services that reduce the impact on the environment.
- Cultural objectives: it allows the diffusion of new models and sustainable lifestyles in consumers, aimed at protecting and safeguarding the Earth.

Green Marketing, if well implemented, could bring to the firm a “win-win” situation, a virtuous circle between the commercial goals that are crucial for the company’s survival and the ethics of sustainability, which make marketing more authentic.

According to Polonsky and Rosenberger (2001), several factors could influence firms’ decision to go green, that in turn shape how green marketing is implemented

External pressures are:

- Satisfying consumer demand: companies decide to go green following requests from customers.
- Reacting to a competitor’s greening actions: a company decides to go green as a reaction to the "greening" of a competitor, so as not to be left behind and not to lose market share.
- Channel/supplier requests to modify inputs: companies decide to go green following the request of a subject in the supply chain, for example, a company that requires its supplier to meet the appropriate standards of certification.

Internal pressures are:

- Costs: companies decide to go green as, after the initial investment, it can lead to a considerable reduction in general costs, as less input is used and less waste or pollution is produced. In addition, from a regulatory point of view, numerous tax incentives encourage entrepreneurs to go green.

- Philosophy: companies go green because the environmental culture is permeated in the company's values, and the sustainability objectives are seen at the same level as the corporate objectives.

Green is today mainstream, and the rules of the market have changed accordingly. Nowadays we are witnessing a boom in attention to "green" or "sustainability" topics, together with a change in consumer behavior, at first skeptical about green products, now oriented towards green purchasing. Indeed, as 2019 McKinsey research shows, 70% of consumers surveyed are willing to prefer an eco-sustainable product to one with a greater environmental impact even if the former costs 10% more.

Consequently, companies have to adapt to these new market rules by adapting their strategy to the changing attitudes and behaviors of consumers. Those strategies should cover greening already existing products or projecting new ones, communicating credibly and impactfully and, finally, working with a variety of stakeholders to increase the resources and better address consumers' needs.

2.1.1 Evolution of the concept

The concept of green marketing has undergone an evolution in the field of study over the years. Peattie (2001) divides this path into three distinct phases, each of which has very different implications for the discipline of marketing and its role in terms of the environmental impact of companies on the planet.

Briefly, the first phase is called *Ecological Green Marketing*, run during the 1960s and early 70s, when the first environmental concerns evolved especially about the limited nature of the natural resources of the planet. Indeed, it focused mostly on the industries with the most obvious impact on the environment, such as oil, mining and cars. Ecological awareness was at the beginning, and it was mainly about trying to eliminate the most harmful consumption practices. However, very few consumers and companies changed their behavior because the environment was viewed mostly as a legal challenge for the company, as well as a constraint on marketing, and therefore a source of increased costs.

The second phase is called *Environmental Green Marketing* and emerged during the latter part of the 1980s. Peattie defined it as “the holistic management process responsible for identifying, anticipating and satisfying the needs of customers and society, profitably and sustainably” (Peattie, 2001). During this period, environmental awareness became a mainstream issue, highlighted by a series of disasters, such as those of Bhopal, Seveso and Chernobyl. It was in this period that the concept of “sustainability” was introduced by the Brundtland report in 1987. Consumers' awareness of environmental issues and ecological purchases was therefore increasing, but remained a “green bandwagon” phenomenon, which means a trend or movement that people participate in simply because others have already done so and don't want to be left out of it.

On the other hand, concerning companies, the concepts of eco-management, eco-design, eco-performance were spread as sources of competitive advantage. Companies realize that such green strategies bring benefits, from either consumer demand for greener products, and cost-saving and efficiency gains, and this, together with environmental benefits, was defined by Michael Porter and Van Der Linde (1995) as a “Win-Win” solution.

During this second phase, eco-friendly products proved vulnerable to the competition, due to several reasons, such as the green product controversy related to the difficulty of competing based on green features, or the corporate “green wall”, which is the difficulty for established companies to upgrade their green performances. Finally, another issue is the Green Consumer mystery, due to the complexity of the segmentation and targeting (Wagner 1997).

Coming to the third phase of *Sustainable Marketing* in the 1990s, it introduced a concept of green marketing that concerns the entire value chain and the relationships with stakeholders, in an attempt to account for and control the set of negative externalities produced by economic activities on the environment. In this sense, Fuller’s definition (1999) of sustainable marketing is “the process of planning, implementing and controlling the development, pricing, promotion, and distribution of products in a manner that satisfies the following three criteria: (1) customer needs are met, (2) organizational goals are attained, and (3) the process is compatible with eco-systems.”

2.1.2 The “5 Is” of Green Marketing

John Grant developed the “Five Is” of Green Marketing, which refer to the characteristics of effective Green Marketing activities:

1. *Intuitive*: "Making sustainable innovations seem normal, and not the other way around", that means to make the "green" alternatives understandable and common to potential buyers. Since buying organic or sustainable products appears more difficult compared to traditional products, the job of the marketing experts is to make the innovations intuitive and of common sense, as happened for the expressions that are common today, such as "bio", "recycled", "green", "fair trade", " zero emissions ".
2. *Integrative*: “It combines commerce, technology, social effects and ecology”. Indeed, ethical companies create innovations that aim to achieve sustainability goals, combining social, environmental, and economic development, and do not use the environmental leverage only for business purposes as in the past.
3. *Innovative*: sustainable environmental innovations make it possible to create new products and lifestyles by filling existing inefficiencies, such as waste and exploitation of natural resources, which allow the company, on the other hand, to make a profit. An example of these innovations is carsharing.

4. *Inviting*: “Green products and services are seen as a positive choice, not as a penance”. In the past, eco-friendly products were often perceived as inconvenient and requiring sacrifice, as they often represented a compromise in terms of performance. Today, with the development of technologies and green designing, very often sustainable products are also the most durable, healthful and effective. It is important for marketers to develop a culture of sustainable lifestyles, to create new myths and codes, which make the purchase of sustainable products a must.
5. *Informed*: consumers tend to turn their choice towards classic brands, already known, with strong image components; on the other hand, Green Marketing has little to do with the image of the brand, and much to do with the education and participation of potential and actual customers. As J. Grant states: “true green marketing, which leads to a more sustainable culture, is antithetical to cultural impoverishment”.

Indeed, it is important to state that Green Marketing is about DOING real sustainable actions and communicating them, not just about looking sustainable. This is because, first of all, attention to the environment cannot be a facade, given the gravity of the climatic situation and the waste we are experiencing today. Second, today’s modern markets are educated, transparent and constantly informed.

2.1.3 From conventional marketing to green marketing

Nowadays, since consumers are more social and environmentally conscious and aware of their actions' impact, companies need to adapt and respond to these new needs. This, according to Ottman (2008), makes sustainable marketing and branding much more complex. To understand the magnitude of this change, one has to consider the negative consequences in terms of reputation that a firm can have if it operates in an unsustainable way, or even worse, by doing greenwashing activities. Therefore, green marketing, applied to today's market situation, requires two main strategies:

1. Develop products that balance both the need for quality, performance and convenience and the lowest impact on the environment, together with social sustainability.
2. Create demand through credible communication that empowers and engages consumers about environmental and social issues.

Ottman identified the emergence of a new paradigm – the green marketing paradigm, that carries differences with respect to conventional marketing, and requires new strategies accordingly.

	Conventional marketing	Green marketing
Consumers	Consumers with lifestyles	Human beings with lives
Products	“Cradle-to-grave” Products Globally sourced One-size-fits-all	“Cradle-to-cradle” Services Locally sourced Regionally tailored
Marketing and Communications	Product end-benefits Selling One-way communication Paid advertising	Values Educating and empowering Creating community Word of mouth
Corporate	Secretive Reactive Independent and autonomous Competitive Departmentalized Short-term oriented/profit-maximizing	Transparent Proactive Interdependent/allied with stakeholders Cooperative Holistic Long-term oriented/triple bottom line

Table II.1 Source: own elaboration of J. Ottman Consulting "The new Green Marketing paradigm

As the table shows, a green marketing strategy has its own characteristics, that differ from a traditional marketing strategy. Considering the part of greatest interest for our work, consumers today cannot be considered as individuals whose only goal is

consumption, but as human beings, aiming at living full and healthy lives. Therefore, companies, before being able to communicate their sustainability values, should recognize those of their customers, employees and stakeholders, to be aware of the impact, both positive and negative, it has on them.

Concerning marketing and communication, today the most sustainable products are marketed with communication with high added value. This added value can be implemented through education and empowering messages delivered by the company, the sustainability values of the product or service offered, and finally from the community of users, both online and offline, that is built around the project and the company itself. Companies should be well aware of the power of the community of consumers, which could have great influence, both positively, with positive reviews of the product and word-of-mouth, both negatively, by boycotting the company in case of greenwashing activities.

Indeed, this tendency is of great value nowadays, considering how the role of consumers has changed: indeed, consumers today are more informed, leading to skepticism towards communication by the company and more credibility towards the direct experience of other users, made possible from the Internet and social media. Ottman also states that businesses are called to excel by being proactive, setting new standards, and “swinging open” the doors of the factories to build a long-lasting relationship with their customers and build brand loyalty.

Those companies are interdependent, creating cooperative and positive relationships with stakeholders. Ottman also states that they have a long-term orientation, managing through the triple bottom line principle, taking care of profits, as well as the environment and society.

Polonsky cited Menon and Menon (1997), according to which green marketing can occur at three levels in the firm. Understanding at what level the company is can help assess the amount of change it requires and may reflect the degree of commitment to environmental sustainability.

- *Strategic*: green marketing is applied as completely as possible, as the company places the environmental issue in a strategic corporate focus, rather than as a simple strategic action. Therefore, it is applied both on corporate mindset and on corporate tactics.
- *Quasi-strategic*: This is the intermediate situation, as companies do not apply environmental values at a corporate level, but not even to single and simple functional operations. Indeed, they make a substantial change in business practices.
- *Tactical*: there is a shift in functional activities, such as promotion. The green activity is limited to some functions only and does not have a long-term approach.

De Castro and Aloj (2007), in an interesting article, state that green marketing, in relation to traditional marketing, is based on three main elements: the strategic plan,

the operational plan and the iterative plan. The strategic plan sets out the medium-long term objectives and the strategies to achieve them, using sustainable processes and creating a green corporate image. The main activities involved are strategic market analysis, value creation processes and management of strategic relationships. The operational plan concerns the implementation of those strategies through communication and brand policies, product portfolio management and organization of the sales network and finally, the iterative plan (action/measure/reaction), which is based on the analysis and segmentation of potential demand and current and on the competitive positioning of the offer according to the marketing factors controlled or controllable by the company.

2.2 PLANNING GREEN MARKETING STRATEGIES AND TACTICS

"The planning process is based on the premise that the organization understands where it is today and where it wants to go." Moreover, "to be effective, these plans need to be appropriately implemented to ensure that what is planned happens. Control systems also need to be implemented to evaluate outcomes and modify activities as needed." (Kotler, 2003). According to Peattie (1999), it is necessary that green marketing is included in the business planning process. The company must consider how to direct the strategy in terms of the green activities that will be implemented. To do this is important to integrate green marketing holistically across all organizational areas and activities, not simply limiting it to the marketing

department of the company, if long-term goals and benefits are to be achieved, as Ottman (1998) states. It is therefore important to apply an integrated approach, both to achieve corporate objectives and meet consumer needs, both to minimize the impact on the environment. In addition, in this way the company can better assess the overall success of the company, as the monitoring and evaluation activities before, during, and after operations can be applied uniformly on the whole company activity.

In developing a green marketing strategy for obtaining a competitive advantage, the company has to be clear on the green marketing operations and strategy that it wants to develop. More specifically, a green marketing strategy must address some key areas of importance such as green product development, market segmentation, green positioning, green pricing, green distribution and placement, launching green promotions, developing green partnerships (Peattie, 1999).

Firstly, the concepts of market segmentation and positioning will be analyzed, followed by the traditional element of the 4Ps framework, adjusted to a green marketing perspective.

2.2.1 Market segmentation

The interest in sustainability issues, especially environmental issues, has increased considerably over the past few decades and has brought great changes in the consumption patterns, acting as an incentive for companies to adopt new

management practices. The green characteristics of the product are considered as an element of differentiation between two equal goods. However, companies need to be aware that even the greener consumers will pay attention to the price and performance of goods (Ottman, 2008). When targeting a customer segment, it is important that it is measurable, that it can be reached through the various marketing tools, that it is large enough to be profitable, and that it is responsive to the marketing offers (Kotler, 2003).

The profiling of green consumers is quite complex; indeed, each person has different reasons and attitudes while purchasing eco-sustainable products, therefore it is not straightforward to enclose consumers with similar characteristics in homogeneous segments. This is particularly true when it comes to sociodemographic factors; according to a study carried out by Milovanov (2015), common patterns have been found for the higher level of education of green consumers (Deloitte, 2009) and the higher income that justifies the higher prices of green products (Franzen, 2003). When it comes to observing the age group, there is no consensus between scholars; indeed, for some researchers, the older segments are more willing to translate their environmental concerns into action than the younger segments (Diamantopoulos et al., 2003), whereas some others claim that the young segment, especially the generation y, have a higher tendency to be attentive to sustainability issues.

Concerning more complex factors, a common assumption of the studies carried out was that the environmental values of customers have to be assessed by their behavior, rather than their personality or attitudes (Milovanov, 2015). Indeed, several studies have detected an issue, the “value-action” gap, also called “intention-behavior”, “attitude-behavior” as well as “word-deep gap” (Carrington, et. al, 2010; Auger & Devinney, 2007; Belk, Devinney & Eckhardt, 2005; De Pelsmacker, Driesen & Rayp, 2005), that happens when consumers are aware of the sustainability issues and express their concerns, also “over-reporting” them, but then do not behave in a socially responsible manner.

Since today it is difficult to target people using socio-demographic factors, a more appropriate alternative is segmenting by using psychographic factors, such as lifestyle and commitment to green. The literature offers several green customer segmentation models; Ottman (2008) has identified an interesting model provided by the Natural Marketing Institute, based on the research “The LOHAS report: Consumers and Sustainability”, that divides the market for eco-friendly products into four different segments based on consumer attitudes towards the environment, ethical consumption and sustainability, as well as on how these attitudes influence consumer behavior. In brief, the four segments are:

- *LOHAS*: they are the most environmentally conscious and active of all customers. As a result, this is the most profitable segment for sustainable businesses, as they will be more likely to purchase green products. They are

less price-sensitive, they tend to associate their values with those of companies and are loyal to companies that best match their values and, if companies pursue unsustainable practices, they are prone to boycott. They are influential people in their communities, and very often they recommend green brands to members of their network. They are continuously informed about the company's conduct.

- *Naturalists*: consumers in this segment give a "personal" approach to the issue of sustainability, in particular relating to health and a healthy lifestyle, thus choosing healthier alternatives for themselves and their families. In the purchasing process, they pay particular attention to the components of the product and worry about the potentially harmful effects of chemicals. Naturalists feel and affirm themselves committed to the environment, but then they tend not to take actions that reflect their commitment. Nonetheless, they are interested and informed about sustainability issues, especially if related to health.
- *Drifters*: consumers belonging to this segment are interested in environmental issues-driven more by the trends of the moment rather than by their deepest values. These are mainly young people who have not yet integrated sustainability values into their lifestyles. They tend to inform themselves using social media, without carrying out more in-depth personal research. According to Ottman, precisely because they aim a lot at

appearances, but are nevertheless aware of the impact on the environment (for what concerns themselves), that is quite an attractive segment for marketers of green products or services.

- *Conventionals*: consumers belonging to this segment are guided by practical reasons in their choice of green products, in particular for cost savings. Their sustainable actions are mostly "municipal", i.e., recycling, reuse of objects to reduce waste and energy conservation, thus leaving environmental reasons in the last place. They are aware of environmental problems but are not motivated to buy sustainable products to reduce their impact that does not also lead to savings opportunities.
- *Unconcerned*: this is the segment that is least aware, interested and responsible for the environment and sustainability. According to surveys, most of them (around 60%) say they are interested in protecting the environment, but only a very few do anything, even the smallest thing like recycling (only 24% of them do it), to bring their contribution.

Ottman also made a further division, based on practical issues concerning the concept of sustainability, i.e., emissions and climate change, fair trade as well as workers' rights. According to Ottman, even the most aware LOHAS consumers tend to assign priority to these issues, which is why four main sub-segments have been identified based on interest:

- *Resource Conservers*, who are particularly sensitive to the concept of waste, and their likely environmental behaviors are energy and water saving, recycling and reuse of everyday objects.
- *Health Fanatics*, who are particularly sensitive to the concept of waste, and their likely environmental behaviors are energy and water saving, recycling and reuse of everyday objects.
- *Animal Lovers* are passionate about the well-being of animals. As a result, they are very likely to carry on a vegetarian or vegan, "cruelty-free" lifestyle, which will lead to a boycott of animal-derived foods, but also animal-tested products.
- *Outdoor Enthusiasts* love being outdoors, doing related activities and sports, minimizing their environmental impact, such as by using reusable bottles, avoiding excessive packaging, using biodegradable and easily compostable products, and buying materials such as clothes and equipment made with sustainable materials.

This type of segmentation is useful to companies to add accuracy while targeting green consumers. Each of these segments uses certain channels, is part of certain communities and networks that companies can better recognize to reach them and communicate their values in the best way.

2.2.1.1 Green consumers' needs and buying strategies

According to Ottman, although green consumers have various environmental concerns, they are motivated by universal needs, which are then translated into purchasing strategies, with implications on how sustainable brands are marketed.

Needs	Strategies
Take control	Take preventive measure
Get information	Read labels
Make a difference/Alleviate guilt	Switch brands or stores
Maintain lifestyle	Buy interchangeable alternatives
Look Smart	Buy "conspicuous" green

Table II.2 Source: own elaboration from J. Ottman Consulting "Green consumer motives and buying strategies"

Firstly, consumers with the need of taking control in the marketplace act by taking preventive measures, that is, informing on the company's behavior and acting accordingly. Indeed, today, while attributes such as price and performance continue to be important, consumers want to know about the products' components, how and where they were sourced, the production process, packaging, distribution and so on,

but also about the organization's reputation as regards its environmental and social responsibility.

The second need of consumers is to get information on the brands. This tendency is confirmed by 2020 research carried out by IBM, according to which consumers across all age groups will conduct extensive research before making their purchases, regardless of how much they trust a brand. Going deeper, 73% of consumers indicated that traceability of products is important to them, and 71% of them would pay a premium for it. In this sense, sustainability buzzwords, such as “recycled”, “landfill safe”, “biodegradable”, “fair trade” and so on (if their purpose is then confirmed after the consumer’s research) play an important role in the decision-making process of consumers. Shoppers also seek information on corporate sustainability policies, such as recycling activities, support to the community, employee treatment. When consumers want to buy green products, 84% percent say brand trust is important, using brands as a proxy for the attributes they seek. Therefore, trust and credibility need to be constantly reinforced by the firm.

The third need of green consumers that pushes them to purchase sustainable products or services is to make a difference and alleviate guilt, which makes them rethink all their consumption processes and find new ways to reduce their environmental impact, to make a difference. Indeed, from a survey carried out by Eurobarometer in 2019, “changing the way we consume” and “changing the way

we produce and trade” are considered the most effective ways to tackle environmental issues.

The fourth need of green consumers is related to people’s necessity to maintain lifestyle, meaning that, in the choice of products or services, they put their functionality, price, flavor, effectiveness, sanitary, attractiveness and ease of finding them first. According to the NMI research (2009), the main barriers to green purchasing, that are widely applicable today, are the higher price of sustainable goods, being not sure that those goods are better for the environment, and not knowing enough about them. Companies need to be aware of what are the main challenges for their product or services, and act accordingly. For example, customers are more willing to pay a premium price for green products that are more durable, and which will therefore allow the cost to be amortized. Above all, consumers need to be sure that brands are truly sustainable, which is why it is important to communicate credibly.

Finally, consumers need to look smart, since today being green is fashionable, it is considered cool, in particular among Millennials. Many consumers decide to buy green for the statement they get from appearing sustainable. The success of the "green" is driven by celebrities and social influencers who share their interest in environmental issues, large companies that are moving towards sustainability, as we have seen recently with Armani, who after saying no to furs, at the beginning of December 2021 has decided to stop using angora wool as well.

To conclude this part, from the analysis of the segmentation model of green consumers, it can be stated that each of them has their motivations and attitudes, as well as different environmental concerns that affect their purchasing behavior and therefore influence marketing decisions.

2.2.2 Green positioning

According to Crain (2000), the role that the corporate image plays in terms of environmental values is an element that must be considered at the beginning of the development of an organization. According to Polonsky and Rosenberger (2001), the company must understand whether it intends to position itself as a green company or use other attributes of the product to differentiate itself; the author asks: "is the organization one that produces quality goods and services that at the same time minimizes the impact on the environment or is it an organization environmentally-focused but that also produces want satisfying goods and services?". This can be determined after studying the market and the competition, to understand how to effectively position the brand and base the competitive advantage. Polonsky also adds that it is crucial that, in the case the company decides to have a green positioning, it must align all its activities with the values on which it has decided to base its positioning, to satisfy the expectations and needs of the customer and to give a coherent image to its brand. In fact, according to Peattie (1999), inconsistencies in the communication of the brand values could distort the

green image that the company wants to pursue and generate bad publicity for the brand.

2.2.3 Green marketing mix

2.2.3.1 Product

According to Peattie (1995), a product is considered green “when its environmental and societal performance, in production, use and disposal, is significantly improved and improving in comparison to conventional or competitive products offerings”. To consider a product as "green" it is necessary to take into consideration both the product itself and the production process.

Ottman (2008) has collected the fifteen main eco-design strategies to lower the firm’s impact, which are depicted in the table below, together with some examples.

Green product strategies
1. Sustainable harvesting and mining practices
2. Recycled content
3. Source reduce
4. Organically grown
5. Fairtrade
6. Reduce toxicity
7. Think global, grow local
8. Responsible manufacturing practices
9. Energy and fuel-efficient
10. Water-efficient
11. Extend product life
12. Reusable and refillable
13. Recyclable
14. Compostable
15. Safe for disposal

Table II.3 - own elaboration of J. Ottman Consulting "15 strategies for sustainable product design"

In the list it is possible to identify, among other methods, “sustainable harvesting and mining practices” (1); companies that apply this strategy act on the problem of

scarcity of resources, but also on the well-being of flora and fauna in the places where raw materials are collected. Another strategy is “recycled content” (2), which is the most popular form of eco-design and saves energy for the production of new materials and consequently pollution. Another great advantage is to prevent reusable material from ending up in landfills. Also the method “organically grown” (4) is very popular, as there is great attention to human health and therefore the components and ingredients of the goods are carefully analyzed by consumers. Companies can apply this strategy by offering organic, biological products, without the addition of chemicals or pesticides. Companies may “use responsible manufacturing practices” (8) within the organization, such as investing to reduce the energy use by greening the sources of energy or to reduce emissions from the manufacturing plant. Products could be designed in a way they are “reusable and refillable” (12), to reduce waste and save money or “recyclable” (13), to be able to disassemble products and recycle them again. This process was applied by Patagonia, which manufactures some fabrics using recyclable fibers that can be eventually reused again to produce new textiles.

Ottman also adds that to meet the further challenges of sustainable development and to remain competitive in the market, entrepreneurs will need to take a step further, by bringing breakthrough ecological innovations, also called “eco-innovations”. They are related to developing new products or services, capable of performing the same function as existing ones, with lower environmental impact.

To conclude, there are countless ways that companies can apply to make the product and packaging greener, and this brings numerous benefits, certainly at an environmental level, but also a better reputation in terms of sustainability, and finally reduction of costs of the processes of the value chain.

2.2.3.2 Placement

Green placement can be defined as “management tactics related to distribution, production to consumption, and reverse logistics (Davari and Strutton, 2014).”

Ecological products require a well-implemented distribution policy, and consequently, the company must act to reduce its impact. This can be done by maintaining the characteristics of ecological products even in the distribution phase, respecting the environment and guaranteeing ecological efficiency also in the distribution and sales phase, contributing to the recycling of packaging, having a distribution channel that does not pollute and does not consume enough material resources, favor the feedback of the “green” consumer, transfer ecological information to the manufacturing company (Foglio, 2008).

Some examples of how companies could implement the previous concepts could be by using integrated transport systems, using the Internet to reduce movements, and employing the so-called “reverse logistic” (Polonsky and Rosenberger III, 2001).

2.2.3.3 Pricing

Green pricing can be defined as "setting prices for green products that offset consumers' sensitivity to price against their willingness to pay more for products' environmental performance" (Grove et al., 1996).

The price to be applied to green products is a very complex variable to analyze. Indeed, the "green price" is usually higher than that of conventional alternatives, due to the increased production costs, higher costs for materials and components as well as higher taxation paid to internalize the environmental effects. In this sense, the term "premium price" in the green context refers to the additional cost that the consumer will have to bear compared to the traditional alternative to obtain a product with higher environmental performance (Peattie, 2001)

It is therefore important for a company that applies a premium price to communicate clearly and transparently the added value of the product that differentiates it from the competitors, which explains why the price is higher than the alternatives on the market.

2.2.3.4 Promotion

Communication is certainly one of the most important tools for green marketing, as, as mentioned above, green marketing aims to create new lifestyles and sustainable culture, raising awareness and educating consumers. Consequently, communication is of primary importance from this point of view. One of the most difficult questions to address is: "What environmental information should be

communicated and how should it be communicated?” (Ottman, 2008). The following paragraph will be devoted to this aspect.

2.3 COMMUNICATING SUSTAINABILITY

Once the start-up has identified its target audience, has studied the market and its players, and has defined its brand identity to be transmitted, it goes on to develop its marketing and communication activities. Let's now analyze the salient points of green marketing communication, based above all on the study of Jaquelyn A. Ottman.

Today, consumers who are interested in green products or services need communication that can deliver green messages together with the promises of traditional advertising relating to the satisfaction of their needs.

The author highlights some challenges related to this type of communication.

Firstly, consumers make trade-offs when choosing between the green product and the traditional counterpart, such as higher prices, doubts about its durability, effectiveness, attractiveness. Secondly, it can be difficult for the company to direct the marketing activities towards the right audience and with the right channels since it is difficult to encompass consumers through socio-demographic factors. Thirdly, in addition to emphasizing the underlying benefits of the product or service for the consumer, there is a need to educate them on the additional benefits brought by the sustainable materials or operations employed by the company. Fourthly, there is the

problem of the credibility of green communication, as communication that appears not transparent or insignificant could be subject to criticism, accusations of greenwashing and backlashes. Finally, the concept of “green fatigue” has to be taken into consideration, which concerns the feeling of skepticism that exposure to numerous green campaigns, especially nowadays, can bring to the perception of the customers.

2.3.1 Strategies for sustainable marketing communication

Ottman has developed six strategies that the company has to apply to successfully respond to the new market scenario, overcoming the challenges and taking advantages of the many opportunities that green communication can offer.

Green communication strategies
1. Know your customer
2. Appeal to customer’s self-interest
3. Educate and empower
4. Reassure on performance
5. Engage the community
6. Be credible

Table II.4 - Source: own elaboration of J. Ottman Consulting "Strategies for sustainable marketing communication"

1. *Know your customer*: as it was deeply stressed before, knowing the customer is the first step to define the strategy. It is a complex operation since there are many types of green segments, each of them with different needs, requirements and behavior. As the author affirms, not all the consumers selected will likely be environmentally aware, therefore it is important to pinpoint the ones that will be most receptive to the message and provide educational messages that are needed to bring the least concerned “on board”.
2. *Appeal to customers’ self-interest* as was stated before, in the buying decision process, potential customers consider both the primary and environmental benefits of the product. As Ottman states, “today’s consumers want to know your whole story”, therefore the company has to focus both on the primary benefits and the environmental benefits provided, striving to integrate them to ensure relevance.
3. *Educate and empower* companies that provide information and educate their customers will have greater opportunities in terms of boosting purchasing intent by consumers, enhancing the company's image and increasing credibility. Educating customers can be done in several ways, such as compelling illustrations and statistics, and using many channels, to make consumers feel their choices are making a difference. It must be said that

thanks to the Internet for the company there are numerous ways to do it, for example by creating a special section on the website or the social pages.

4. *Reassure on performance*: it is related to the fact that green product and material alternatives are new to the perception of customers, in some cases perceived as not having the same value as the more familiar “brown” alternatives, therefore the company needs to address this issue and remove this barrier steadily.
5. *Engage the community*: companies must consider that consumers today, in addition to being more curious and suspicious towards the company, can rely on numerous sources of information, among which the most powerful is certainly the word-of-mouth since today customers are "part of communities", pushed by the Internet and social media. Therefore, companies need to understand the needs of the community by analyzing them (social auditing) and exploiting the power of it by creating in turn a community, educating the participants by providing easily shareable content. The start-up needs to “get creative” in its marketing activities, to build its reputation and establish credibility, through partnerships, sponsorships, donations, events to engage the communities, online content and so on.
6. *Be credible*: this strategy is going to be explained more in-depth in the next paragraph.

2.3.2 Importance of credibility and the concept of “greenwashing”

According to a study conducted by PwC in 2021, the main request addressed to companies (54% of users) is greater transparency, and this is linked to the perception of the inefficiency of companies and institutions despite what they say, present in 64% of the conversations analyzed. Therefore, today consumers are suspicious of the firm’s communication, in fact, they rely more and more on UGC and in general to any source of information not controlled by the company.

Therefore companies, especially green ones, need to increase their credibility, build trust in the consumers and improve their reputation. What has to be avoided is the practice of “greenwashing”, which indicates a portrayed environmentalism from a company, behind which there is no real commitment, but which only wants to leverage people's increasing attention to sustainability issues. It was coined by the environmentalist Jay Westerveld in 1986, referring to the marketing practices applied by the hotel industry, to promote the reuse of towels as a way to protect the environment when, in fact, it was just aimed at saving costs. Referring to today’s highly informed and aware consumers, there could be severe consequences in terms of reputation for the green companies applying greenwashing practices to the communication, not easily solved in the short-term.

There are many ways in which companies can practice greenwashing activities and *TerraChoice* has developed a list of the “7 Sins of Greenwashing”, among which we find:

1. *Hidden trade-off*: omitted information on the impact of the product and service category claimed as "green".
2. *No proof*: omitted information, data, and clarifications relating to the company's business.
3. *Vagueness*: environmentalist slogans and proclamations that are vague and risk being misunderstood.
4. *Irrelevance*: the sustainability of the product is supported by several limited parameters.
5. *Lesser of two evils*: focus on sustainable product details, but which are secondary to the overall product.
6. *Fibbing*: lying about the emissions and environmental impact of one's products or plants
7. *Worshipping of false labels*: lying about collaborations or green certifications

However, Ottman states that there are many ways for companies to avoid the risk of greenwashing, through well-crafted sustainable branding and marketing plans that reflect an understanding of the customer's needs. Companies need to make sure that their products or services are actually respecting the environmental standards and reducing their impact, while at the same time educating customers on responsible consumption.

The author also gives some interesting strategies to increase credibility in communication, that are briefly explained:

1. *“Walk your talk”*: green companies must commit to reaching the sustainability objectives, communicating transparently what is achieved and responding to the expectations of the public. A decisive boost to credibility is a visible and committed CEO, who can instill sustainability values throughout the company, empowering employees, making them independent and consequently motivated to achieve green goals.
2. *“Be transparent”*: since customers are eager to inform themselves about the company, it is the same company that must give them the information they are looking for, transparently and credibly. This can be done through reporting programs, such as the Global Reporting Initiative (GRI), a voluntary framework for organizations used to measure, benchmark and report their economic, environmental and social performance.
3. *“Don’t mislead”*: giving incomplete and insecure information is the first step towards the accusation of greenwashing. The company must be specific and prominent in its green communication, with clear, precise and specific messages. It must provide complete information, considering the product's entire life cycle, and not overstate, i.e., avoid irrelevant claims or claims that exaggerate the environmental benefits of a given product.

4. *“Enlist the support of third parties”*: to increase their credibility, companies can line up with third parties that certify claims and award eco-seals, those certifications are known as "eco-labels", which confirm the company's sustainable actions. There are many types, which can concern a single attribute or several, they can be both independent and government-run. Another way is through “cause-related marketing” (see “be a credible partner” level in Grant’s Green Marketing Matrix).
5. *“Promote responsible consumption”*: finally, the company must promote responsible consumption by customers, to minimize the impact of the product even in the phases of its life cycle in which it is in the hands of the customer. For example, the company may communicate how to dispose of the product, or ways to recycle it or extend its use.

2.4 THE GREEN MARKETING MATRIX

From the previous paragraphs, it was possible to see how green marketing is applied differently depending on the type of company, the corporate culture, the type of product or service, the process, at what levels the management wants to apply the values of sustainability, and so on. John Grant, in his famous "Green Marketing Manifesto" has developed a very useful tool in this regard, the Green Marketing Matrix.

The matrix intersects two variables: the green marketing objectives of the company and at what level the green marketing actions are to be applied.

The objectives can be divided into:

- **Green:** setting new standards for environmental products, policies and responsibilities. This type of marketing has only commercial goals.
- **Greener:** sharing responsibility with customers to make them feel part of the process. In this case, in addition to commercial objectives, the company also sets environmental objectives.
- **Greenest:** supporting innovation with new habits, new services and new business models. The company has both commercial, environmental and cultural objectives.

Companies may aim to apply the marketing strategy at the following levels:

- **Corporate level - *company history and customer involvement*:** it concerns the way the company (behind the brand) wants to be perceived by the consumers, as a credible source, an opinion leader and a cultural partner that the stakeholders are willing to trust.
- **Social level - *identity and community*:** it concerns social branding, identity, brand meaning for a specific audience that acquires tribal or community traits, thus allowing the development of a green culture among consumers.

- **Personal level - products and habits:** it concerns the habits and lifestyles of the single consumers that the company wants to address with its offer, having a significant impact on lifestyles, from the single to the mass market.

	GREEN Establish new standards	B. GREENER Sharing responsibilities	C. GREENEST Sustain innovation
1. Corporate level	Be an example <i>Framing vs. Pointing</i>	Develop the market <i>Education vs. Evangelization</i>	New business concepts <i>Social production vs. Property</i>
2. Social level	Be a credible partner <i>Certification vs. Cause-Related Marketing</i>	Create tribal brands <i>Exclusive approach vs Inclusive approach</i>	Trojan horse ideas <i>Tradition vs. "new cool"</i>
3. Personal level	Offer improvements <i>Less vs. More</i>	Change the usage <i>Switch vs. Cut</i>	Challenging consuming <i>Treasure vs. sharing</i>

Table II.5 - Source: own elaboration of John Grant's Green Marketing Matrix

The matrix arises from the intersection of these variables, and the result is eighteen different types of green marketing. Each quadrant of the matrix explores a typical approach, which in turn comprises a set of phenomena in which it usually takes shape, as there is not a single situation that can group a plethora of companies that have the same general approach.

It is important for each company to find its own place within the matrix (which could also be between two sections), to understand which the best way is to proceed. A general overview of the quadrants of the matrix follows.

2.4.1 Green - Establish new standards

The first column of the matrix refers to traditional marketing applied by companies that sponsor green and sustainable products compared to their competitors in the sector. The communication aims at promoting sustainable businesses, the credentials of a brand, and the green characteristics of a product. The public and customers are interested in ecological products and sustainable businesses and are highly informed, so the company must communicate the sustainable actions undertaken with transparency, presenting the real results obtained, allowing consumers to verify the truthfulness of what was communicated. In this sense, the company must commit itself to achieve sustainability standards and not fall into the big mistake of greenwashing, as the corporate reputation is closely linked to ethical and sustainable principles and consequently also to economic performance.

A1- Be an example (Corporate level)

Green companies communicate their commitment to CSR principles and the activities they carry out, by developing clear and concrete messages, being completely transparent and modest, after making sure that all internal functions of the company are aware and involved.

Companies can apply two approaches to show the environmental results achieved: framing and pointing. The first one refers to the general framework of the company, which consists of the corporate history and culture, within which to act and insert the action plan consistent with what has been communicated to the public. On the other hand, the pointing approach is more specific and consists in indicating the fundamental changes that the company wants to make, in the form of specific objectives.

A2 - Be a credible partner (Social level)

Consumers make choices identifying themselves with the image, values, identity and personality of the offer. Green companies can improve their image in many ways, such as through environmental quality certifications, coming from national and international associations, that attest the company has achieved certain standards. The second way to achieve this is through Cause-Related Marketing, which involves the creation of partnerships with charities or NGOs. Those approaches aim at linking the company to other organizations considered as points of reference with high credibility, to improve the company image to motivate consumers. Certification has a more direct effect on consumers since it is the result of the good practices applied by the company to reach the standard, whereas Cause-related marketing, could have different effects in the eyes of consumers, as the company is only partially involved in sustainability practices, and this could create doubts about its real commitment.

A3 - Offer improvements (Personal level)

Green products are different by nature, and their ecological features are not functional to the consumer, but to the planet. Indeed, they mainly have secondary advantages consequent to sustainable design, such as greater resistance, simplicity, better design, healthy, on which the firm can organize the communication. The marketing strategies for those products fall into two opposite categories: the "less" and the "more" approaches. The first one is a minimalist approach, that concerns simple and essential green products and does not focus on the ecological characteristics of the product, but rather on the related benefits, such as convenience, practicality, durability. The second one, on the other hand, concerns premium products with high added value that are more genuine, healthier, more refined. Communication, therefore, leaves the niche of pure environmentalism and appeals to common sense.

2.4.2 Greener - Sharing responsibilities

The second column of the matrix relates to the sharing of responsibilities with customers. It is connected to the concept of "prosumer", that is the tendency of consumers to be involved in the business processes, and "new marketing", which distances itself from traditional advertising, and moves to "sharing the passion" with clients, putting enthusiasm in the sale, creating participation in customers and

bringing a better overall outcome, of which commercial results are only a consequence. This is brought about by the concept of network, which nowadays permeates all the relationships of the company, and it is facilitated by the Internet and social media, communities, blogs, forums in which to exchange ideas and opinions. The barriers between company and customer are reduced, and responsibilities are shared: this is the first step to achieve the goals of sustainable development.

B1 - Develop the market (Corporate level)

Companies that develop the market for sustainable products through collaboration with customers are considered. If the project reaches positive results, a virtuous circle will be established that will combine marketing and sustainability needs. This can be reached in two ways: through customer education or evangelization. The first one is related to informing customers and making them aware so that they will be more likely to choose green products. The second one is more extreme and refers to companies bearers of political values, which radically express them. In this way, acting as promoters of change (for the right causes), is attractive to citizens that feel closer to the company.

B2 - Create tribal/social brands (Social level)

This type of marketing is based on collaboration with customers to create the brand and leverages the desire of people to belong to a tribe or community with which they share values, experiences and ideas to feel an integral part of it. For green brands, the concept of the tribe has transformed: in the past, green brands were associated with restricted and exclusive circles of people, especially environmentalists, vegans, animal rights activists, etc. Nowadays, this concept has transformed, thanks to the environmental awareness and the spread of the Internet, up to the mainstreaming of green lifestyles. Also in this case, two main strategies can be applied: exclusive versus inclusive approach. The first one is related to companies that market their green products as “glamour”, for example, thanks to sponsorships made by celebrities, making green products attractive and superior, becoming objects that people can show off. The second approach, preferred by the author, makes green brands accessible to all and inclusive, thanks to the creation of communities.

B3 - Change the usage (Personal level)

The marketing activity carried out by the company aims at motivating consumers to change their usage habits, which implies asking how they behave and what are the reactions they might have after purchasing a green product. The involvement of people brings cultural benefits, as it activates the willingness to contribute, makes the sustainable lifestyle "normal" and also expands towards other activities. Two

main approaches can be applied: switch versus cut. The first one, means conversion of consumptions and it is based on the existence of greener but almost identical alternatives, at the same or only slightly higher price. On the contrary, cutting strategies imply a reduction in purchases or use of the goods purchased. This might seem counterproductive to marketing but consider the Sainsbury's supermarket chain campaign to drive customers away from plastic bags: the firm first reduced the plastic content of the bags, and then pushed for the use of alternative reusable bags to shopping (sold by them), which is a simple but innovative idea, which leads customers to a practical change.

2.4.3 Greenest - Sustain innovation

The last column of the matrix concerns the contribution of companies in changing people's consumption styles, and more generally a cultural change, made necessary by the climate crisis and its implications. It is necessary to motivate consumers to change their lifestyle towards a sustainable culture, accepted as a natural evolution and not as a forced change. To do this, internal reform of marketing creativity is not enough; organizations have to create new ways of living through radical innovations, that the marketing activities must follow from the designing phases to ensure they will be acceptable and accessible to the market.

C1 - New business concepts (Corporate level)

It is clear that to achieve the objectives stated before, companies have to create new business concepts. In this sense, green marketing can lead to the achievement of great commercial objectives through cutting-edge innovations. The changing status of customers into prosumers and the great opportunities of Web 2.0 to reach them are crucial for innovations from companies. Two main approaches can be applied: social production versus property. The first case is about projects, mostly carried out online, that have no commercial scope, but allow people to enter into networks of relationships and information, such as blogs or forums, as well as the community to exchange/gift items to booster reuse. The second case is from the point of view of profit, through which a company, even if born as a non-profit, can grow and consolidate its success, attracting investors and stakeholders to progress from an environmental point of view.

C2 - Trojan horse ideas (Social level)

The question is, how to present and sell the new alternatives? Grant suggests the method of designing Trojan horses, for which are meant all the methods of “cultural coating” by which radical innovations are accepted. This can be done using two main approaches: tradition and "new cool". The traditional approach is based on the idea that innovation is more easily accepted if it is seen as familiar and connected to one's sphere of knowledge, but which can at the same time lead to a more sustainable lifestyle. The “fashionable” approach, on the other hand, allows the

company to transform the green product into a “cool” product, acting on its design, the way it is offered on the market, and so on, making it fashionable and attractive to consumers.

C3 - Challenging consuming (Personal level)

Finally, the last quadrant of the grid concerns the action on consumption styles, which are rooted and widespread in people’s habits and more generally in the culture. It is necessary therefore to promote a better lifestyle and find a way to make it culturally acceptable. The author analyses two types of structural changes in daily habits: treasure and sharing. The first means extending the average life of commonly used products, to reduce waste. The author proposes some ideas to make them culturally acceptable, such as linking the product to collecting activities, retro products that are fashionable today, or making the product “able” to connect to customers’ memories. The second concerns the practical sharing of products, such as rental or sharing. It is a complex result to be accepted, as it is out of the ordinary.

CHAPTER 3 – MARKETING ISSUES OF GREEN START-UPS

3.1 GREEN AND CIRCULAR START-UPS

3.1.1 What is a start-up?

In recent years, the term *start-up* has been characterized by great popularity. Numerous individuals, guided by a strong innovative spirit, decide to undertake an entrepreneurial path, starting their own business.

In general, a start-up can be considered a new business in its earliest stages of development. There are however some elements that are specific to start-ups, that are included in the definition given by Blank (2010): a start-up is “a temporary organization in search of a repeatable, scalable and profitable business model.”

According to the definition, the elements that characterize a start-up are:

- Temporary nature: the start-up form is not definitive, but the starting phase of a development path. The goal is to grow rapidly and transform into a large company.
- Innovation: each start-up experiments and tests on a small scale new, highly innovative business models that allow it to create value and be profitable.
- Process repeatability and business scalability: once the new business model has been validated by the market on a small scale, it must then be repeatable and must be able to function on a larger scale, so that the start-up grows.

Another definition of start-up is that of Eric Ries (2011): "A start-up is a human institution designed to deliver a new product or service under conditions of extreme uncertainty", that emphasizes the highly innovative character of these companies, and the conditions of extreme uncertainty and risk they have to operate. Indeed, start-ups work on hypotheses, which are tested with customers, since they do not operate in well-defined markets with a well-known competition basis as established companies do (Blank and Dorf, 2012). Moreover, they have limited resources and human capital, which increases the risk those companies have to face in the market. This explains the fact that start-ups are known for their high failure rates (Giardino et al., 2014) as is going to be explained later.

Start-ups, like other companies, follow a growth path during their life. Since these companies are diversified, each of them follows these steps at their own pace and timing. To have an overview, an interesting model developed by Passaro et. al. (2016), that identifies four steps in the start-ups' lifecycle is considered.

1. *Ideation*: in the first phase, the start-upper discovers and generates the potential idea, trying to understand whether it could represent an innovation that can solve a meaningful problem or satisfy a (latent) consumer need (Marmer et al., 2011), that is, if there exists a market opportunity. Finally, he/she defines the resources needed and availability.
2. *Intention*: in this phase, the focus is on the possibility of transforming the initial idea into a business. To do this, it is necessary to obtain the validation

of the market opportunity, defined as a “moment of truth”, in which potential customers show themselves inclined to the project. To make the project more stable and practicable, the entrepreneur must acquire financial, technical, and managerial resources. They can come from first investors (family, friends, business angels), incubators, Technology Transfer Offices (TTO) and business centers. Therefore, relationships and network creation with different actors are crucial in this phase, which can be considered completed when a product prototype has been developed.

3. *Start-up*: in this phase, the start-upper is able to measure and quantify the probability of success of the project and identify the necessary resources. The most important operations are commercial and technological development and business planning, as well as the search for additional financing resources (Keating and McLoughlin, 2011), often from crowdfunding platforms and venture capitalists. Furthermore, in this phase, an important role could be assigned to incubators, accelerators and co-working spaces able to obtain additional managerial, technical and physical resources. In this phase, the innovative product or service is on the market and should receive requests. Moreover, the start-up should be in networks of relationships of customers, suppliers, and external partners.
4. *Expansion*: the start-up has consolidated and scaled up the business, finally becoming self-sustainable. At this point, the start-upper should take a step

further, manage a higher turnover, motivate and coordinate employees, interact with new customers and suppliers, look for international markets and partners, and delegate tasks and activities. The key activities in this phase are massive customer acquisition, back-end scalability improvements, hiring new staff and the first executive and internationalization.

3.1.2 Green Start-ups

One of the most significant practices to achieve sustainability objectives and in general to reduce the impact of humans on the environment is the development and introduction of new or significantly improved goods, processes or practices that reduce the exploitation of natural resources and reduce the release of polluting substances during the entire life cycle. In this sense, green start-ups are considered fundamental to bring concrete changes and innovations that allow the transformation process of society towards sustainable development and a green economy.

3.1.2.1 Sustainable Entrepreneurship and Business Models

Before analyzing the concept of green start-ups, it is important to define some relevant concepts that have to be used as starting points: sustainable entrepreneurship and sustainable business models.

Sustainable entrepreneurs aim at developing business ideas that, in addition to being potentially profitable, also bring environmental and social benefits, following the triple-bottom-line principles (Schaltegger and Wagner, 2011).

Sustainable entrepreneurship is defined as “[...] an innovative, market-oriented and personality-driven form of creating economic and societal value by means of breakthrough environmentally or socially beneficial market or institutional innovations” (Schaltegger and Wagner, 2011). It aims at creating economic value, market activity and value to society through positive externalities or reduction of negative externalities. Unlike the public, charitable or NGO, sustainable entrepreneurship needs to be financially self-sustaining in the long run, due to the fact it takes place in a business context (Shepherd and Patzelt, 2011).

Sustainable entrepreneurs develop sustainable business models (SBM); Henry et al. (2020) have collected some definitions on this concept: SBM are characterized by three main elements: the value proposition (the offer and the target customer segments), the value creation and delivery (the activities, resources, partners and distribution channels), and the value capture (the cost structure and the revenue model) (Bocken et al., 2014). Accordingly, a SBM should create, deliver, and capture economic value, and at the same time contribute to environmental sustainability (Boons and Lüdeke Freund, 2013).

The concepts of sustainable entrepreneurship and business models concern both companies already established and consolidated in the market (incumbent), and in

new innovative companies (start-ups). Adopting sustainable business models and related strategies is more common in new entrants, such as start-ups, due to their higher flexibility that allows them to introduce disruptive innovations. On the other hand, incumbents are more path-dependent, (Christensen, 1997) and once the business model is established, changing it is not straightforward. This makes sustainable innovations more impactful in the transition to a green economy (Fichter and Weiß, 2013).

Boons and Lüdeke-Freund (2013) proposed a classification of innovative sustainable business models, dividing them into technological, social and organizational. Bocken et. Al (2014) have developed, based on these three aspects, nine archetypes of sustainable business models, which are presented in the following table. The archetypes which are part of the technological business model are: maximize material and energy efficiency, create value from “waste” and substitute with renewables and natural processes. The ones which apply a business model oriented to society aim at developing solutions in order to: deliver functionality rather than ownership, adopt a stewardship role and encourage sufficiency. Finally, the archetypes related to organizational value proposition can be related to repurposing the business for society/environment and developing scale-up solutions.

3.1.2.2 Defining green start-ups

Green start-ups¹ are newly formed, innovative companies that “develop and implement products or services that have a positive environmental impact and contribute to the environmental goals of a green economy (reducing greenhouse gas emissions, improving energy efficiency, adopting a circular economy approach, etc.).” (Bergset and Fichter, 2015).

Those companies have as their core activity the development, introduction and distribution of radically new or significantly improved goods or services, processes or practices that aim at reducing the impact on the environment, making their existence and increase (especially in the last years), crucial to the transition of society towards sustainability. Green start-ups complement the sustainability of their projects together with profitability. Unlike traditional businesses, they follow a business model that is not only economically sustainable but also creates environmental and social value.

According to Bergset and Fichter (2015), start-ups can be defined “green” on the basis of three main categories:

1. Product-related characteristics: the products as well services of green start-ups have a limited impact on the environment and they contribute to the

¹ In the literature, “clean-tech start-up” and “environmental start-ups” are also used as synonyms for green start-ups (Bergset, 2017; Colombelli, Quatraro, 2019; Henry et al., 2020).

general objectives of the green economy: renewable energy, energy efficiency, renewable resources, resource efficiency, circular economy, waste management, reduction of emissions and protection of the climate, as well as biodiversity and ecosystems.

2. Entrepreneur-related characteristics: the “greenness” of start-ups depends on the inner characteristics of the entrepreneur, such as motivation, values and attitudes. In addition, qualified skills and knowledge related to sustainability are considered valuable (Choi and Gray 2008).
3. Strategy-related characteristics: the start-up’s strategy does not only depend on the entrepreneur, but on the interactions and networks of relationships that are developed with external stakeholders. Consequently, the network built by the company is an important indicator of its “greenness” (Bergset & Fichter, 2015).

On the basis of the degree of presence of the previous parameters in each company, different types of green start-ups can be distinguished. Indeed, there are innovative companies that have sustainability as their core objective, but also companies that pursue environmental objectives involuntarily. Bergset and Fichter, on the basis of several studies on the issue, developed five typologies of green start-ups.

1. *The alternative start-up*: the entrepreneurs of alternative start-ups are strongly involved in environmental and social issues and set them as first goals. Those companies can be considered "revenue-generating social

enterprises" (Nicholls and Pharoah, 2008), operating at the edge of the market economy. They are not interested in real growth or big profits; instead, they give priority to the environment and saving natural resources when carrying out the production processes and commercial activities. This is done by favoring local production through autarchy and closed-loop production and consumption.

2. *The visionary start-up*: the visionary entrepreneurs' goal is to have a positive impact on the environment and the growth of the company has to follow this idea. Therefore, the company will not give in to growth if it means renouncing the principles of sustainability, even at the cost of losing potential revenues. The focus of visionary start-ups, unlike alternative ones, is more centered on the customer, since they consider their needs; moreover, their focus is more global than local since they target a broader customer base.
3. *The inventive start-up*: it is the most balanced type of green start-ups, as there is both a pursuit of sustainability objectives and a search for growth and profitability. These start-ups are "socially-driven businesses" that produce a financial return. The team is made up of highly inventive and skilled people that produce high-quality and even exclusive goods or services, with premium prices applied both to cover the costs related to eco-sustainable production and to obtain profits.

4. *The “ecopreneurial” start-up*: the "ecopreneurs" are motivated by economic reasons and are highly market-oriented; they seek market opportunities that can be scalable and can help the company grow in a short time, while having a positive impact on the environment. Due to their market and growth orientation, the entrepreneur is more likely to face trade-offs between sustainability principles and profit, increasing the risk with regard to the sustainability goals.
5. *The unintentionally green start-up*: these are companies that unwittingly contribute to sustainability through the production of goods or services, without explicitly seeking it. The unintentional entrepreneurs are mainly profit-oriented, while the implicit contribution to the environment could originate from their traditionalist values or from networks of relationships.

3.1.2.3 Circular start-ups

A further focus must be made, for this work, on circular start-ups². Circular start-ups incorporate the principles of circular economy in their business models (Heyes et al., 2018; Pieroni et al., 2019). Through circular economy processes, companies realize strategies and innovations to put into practice the sustainability principles,

² The terms *green start-ups* or *circular start-ups* will be used as synonyms as, for the purposes of this thesis, related the marketing and communication field, the differences in their internal processes do not affect the final implications.

specifically by reducing waste generation and resource depletion (Geissdoerfer et al., 2017).

The innovations, that are the processes by which the firm applies the strategy, can be applied at different stages of the value chain and therefore introduce different ways to adopt Circular Economy principles; according to Urbinati et al. (2017), those companies can be divided into:

- *Upstream circular companies*: they apply circular economy at the supplier level, for example by selecting suppliers that provide biodegradable materials, and to their internal practices and product design (Jawahir et al., 2007). They do not communicate their circularity to the final customers, neither through price or marketing campaign; the focus of the upstream companies is tied solely on the cost structure and they pursue a cost-efficiency advantage (Urbinati et al., 2017).
- *Downstream circular companies*: they apply circular economy to their innovations to the revenue model and customer interfaces, related, for example, to price schemes or marketing campaigns based on the use and re-use of products. Circular economy principles are not applied to their internal practices, supplier selection, or design procedures (Urbinati et al., 2017).
- *Full circular companies*: they apply circular economy both internally and externally, meaning that they develop a production system and select the suppliers according to the CE principles, but also communicate clearly to

customers the fact that they are implementing circular practices as part of the value proposition (Urbinati et al., 2017).

For the purposes of the thesis, an analysis of the main drivers and obstacles that influence the operation of green start-ups is necessary.

3.2 CHALLENGES FOR GREEN START-UPS

The path start-ups have to follow is not straightforward and it is exposed to numerous risks; in this context, just having an innovative idea is not enough, since also extensive marketing and business knowledge are required for survival and existence. The high degree of uncertainty due to the strong innovative component that characterizes these companies, if not properly managed, can lead to its failure. Indeed, during the first life phases, (typically 3–5 years) more than 60% of start-ups fail are subject to failure (Wen Hsiang Lai, 2015). Considering this situation, it is worth asking whether the start-up really owns the knowledge and skills necessary to survive, and if not, which gaps to fill to increase the survival rate.

According to D. Feinleib (2012), the most common reasons for the failure of start-ups are financial reasons, such as running out of cash, making wrong decisions, bringing a wrong product to the market or selecting the wrong market, investing too much in sales and marketing too soon rather than investing in the product and eventually having the wrong team.

CB Insights (2021) provides interesting research that analyses the top twelve reasons for start-up failure, depicted in the graph below.

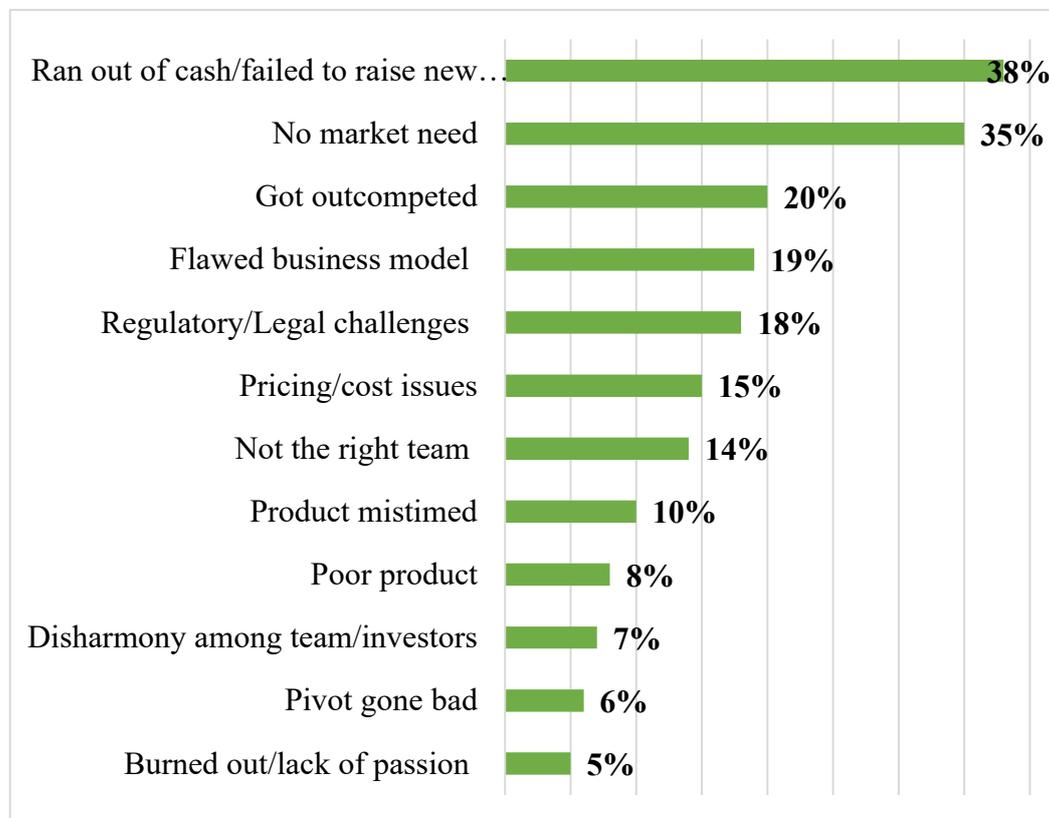


Figure III.1 - Source: own elaboration on CB Insights "Top reasons start-ups fail"

The most common reason for start-ups to fail (38% of the 111 start-ups analyzed) is linked to economic difficulties, low profits or inability to secure the necessary financing/investor interest. Another relevant element, found for 35% of companies, is “no market need” or not finding needs in the market to satisfy, which translates into the failure of the business to understand where to fit within the marketplace. A start-up that finds itself in this situation, is tackling problems that seemed interesting

to solve, rather than those that actually serve a market need, and this has made the company invest time and resources, financial as well non-financial ones, on a product or service and its communication that lacked a fit with the market. 20% of the companies interviewed have failed due to an overly competitive market, and have been outcompeted, meaning that once they have obtained market validation for their idea, other companies tried to capitalize on the opportunity and the failed start-up has ignored this situation. Another element that was a failure factor for 19% of the companies considered has been a flawed business model; many of the interviewed founders agreed on its importance, to have a better overview of the feasibility of the project and also how to improve it. Other elements have been regulatory challenges and legal complexities (18%) and problems in determining prices or managing costs (15%), related to the difficulty in pricing a product high enough to eventually cover costs but low enough to bring in customers.

14% of companies identified as one of their failure reasons untrained or inexperienced staff. Indeed, many founders wished they hired a diverse team with different skill sets.

Another reason, for 10% of companies, has been the timing of launching their products or services on the market; there is the risk that a company that releases a product too early before being sure, could receive negative impressions by the market, which are difficult to change. On the other hand, if the product is released too late, there is the risk of missing the window of opportunity in the market.

Another factor, for 8% of the companies, has been a product considered “poor”, meaning marketing a product or service that is not very user-friendly due to the inability of the company to listen to the customer’s needs and requirements.

Other elements have been disharmony among the internal team of the company and with investors (7%) and pivots (changing the direction of a business when the management realized that the current products or services are not meeting the needs of the market) that did not go as well as expected (6%). Finally, 5% of companies failed due to burnout caused by the inability of founders to balance work-life and lack passion for a domain, that is the inability to cut losses when needed and redirect the efforts in front of a dead end.

Fichter and Olteanu (2021) made similar research on green start-ups in Germany, comparing them with “non-green” start-ups, and it resulted that the former face the same challenges, as it is possible to see from the following graph. The three biggest challenges of green start-ups are related to sales (63%) raising capital (49%) and product development (46%). Moreover, the business environment conditions have changed due to Covid-19, making the challenges becoming even more acute.

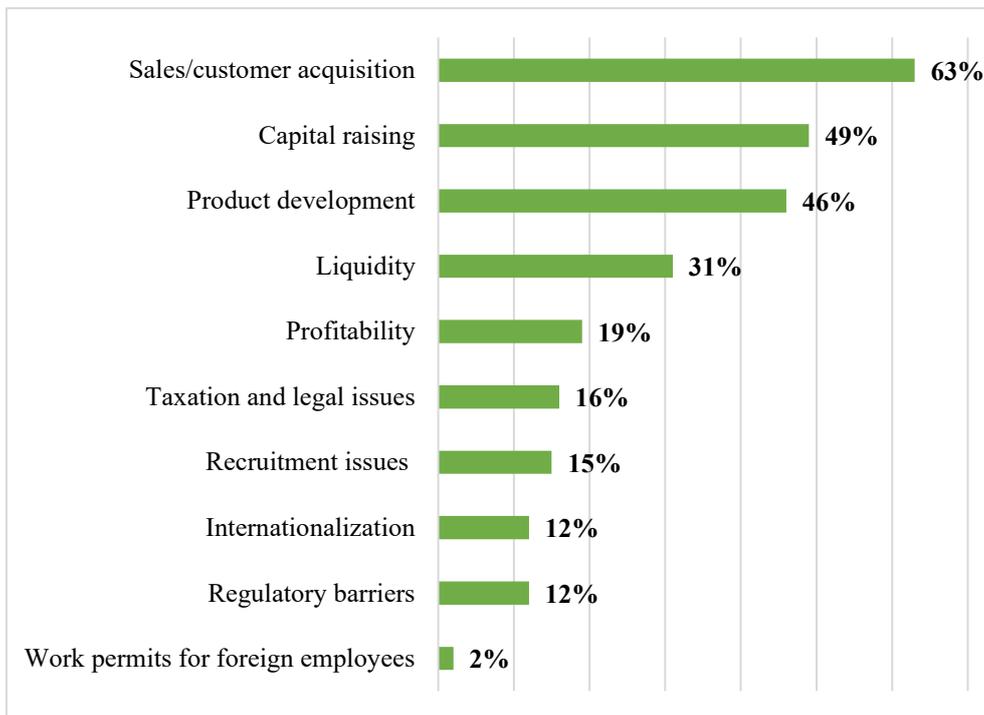


Figure III.2 - Source: own elaboration on challenges for green start-ups from "Green start-up monitor" (Fichter & Olteanu, 2021)

Going into more detail, the main challenges for green start-ups are related to:

- *Sales/ Customer acquisition*

One of the greatest challenges for green entrepreneurs, according to Haldar (2018), is establishing demand from customers. Indeed, there are many obstacles to this, related to existent brand and product preferences, competition from imported products, and the domination of industries by large incumbents (Haldar, 2018). In this sense, the great challenge for start-ups is to create a completely new market related to an issue in which there is still no complete awareness. Concerning this aspect, another issue start-ups have to face is the lack of information on the

customers' side of the market, which could influence the actual demand for sustainable products and services (Linnanen, 2002). Indeed, the dispersion of environmental awareness in society could influence a change in consumer behavior in a certain society (Silajdžić et al., 2015). This challenging situation could be improved through awareness creation, by companies and also governments and external stakeholders (Silajdžić et al., 2015).

- *Financial barriers*

Access to financial resources is a fundamental concern for businesses in the start-up phase (Colombo & Piva, 2008). The creation and development of a green start-up requires a lot of investments in equipment and technology, and consequently, high expenses. Those companies, due to their youth, innovative character and inexperience in the market (especially in the case the entrepreneur is new to the business environment), could not be fully compliant for receiving financings and this could cause difficulties in finding investors. In addition, start-ups could take advantage of supporting entities, such as angel investors, hatcheries, incubators, accelerators, small business development centers, venture capitals, etc. Lack of access to such support mechanisms increases the risk of failure (Salamzadeh, 2015).

- *Regulatory barriers*

Regulations, other than being important drivers for green start-ups, can also have a reverse role. Green start-ups are much more active in heavily regulated markets such as the food and nutrition sector or the energy industry. Moreover,

administrative procedures to access government support require additional costs on the start-ups, acting as a disincentive, that could be further emphasized by bureaucratic issues such as delays in licensing and registration, weak enforcement of contracts, lack of dispute resolution services and uncertain rules.

- *Lack of human resources*

Start-ups usually start their activities having few human resources. In the case the start-up develops and grows, there will be the need of hiring new professionals, therefore the management has to negotiate and create teams. This process is critical for the success of the organization, and in the case of a lack of knowledge of the field, the start-up might fail due to human resource management issues. Another impactful barrier is the lack of skills and knowledge related to sustainability subjects as well as marketing and sales skills, both from the company itself and from the network of relationships it has developed with external stakeholders, such as suppliers, retailers, collaborators, partners (Salamzadeh, 2015). The green entrepreneur should have not only the managerial skills to run the business but also a strong commitment to green and sustainable values that applies to the company's activity. Moreover, having good marketing and sales skills is crucial to communicating the values of the company to potential customers.

3.3 MARKETING KEY POINTS FOR START-UPS

3.3.1 Marketing orientation in start-ups

The main challenge for green start-ups is, according to Fichter and Olteanu (2021), related to a marketing issue, the inability of the company to acquire customers. This reason was also found in the CB Insights survey, concerning start-ups in general, as the second reason for start-up failure, identified as “**no market need**”. This means that the start-up failed to understand where to fit within the marketplace. This issue is generally due to a wrong positioning made by the companies, with consequent bad performance or the risk to find themselves in the “stuck in the middle” position identified by Kotler, according to which the considered firm does not offer features that are unique enough to convince customers to buy its offerings, and its prices are too high to compete effectively.

A more severe case occurs when the company is in a situation in which it offered a product or service that was not requested or looked for by the market targeted. A start-up that finds itself in this situation, is tackling problems that seemed interesting to solve, rather than those that actually serve a market need, and this has made the company invest time and resources, financial as well non-financial ones, on a product or service and its communication that lacked a fit with the market.

This cause of failure can be linked to the concept of market orientation, that has been defined as “the organisation wide generation of market intelligence pertaining to customers, competitors, and forces affecting them, internal dissemination of the

intelligence, and reactive as well as proactive responsiveness to the intelligence.’’ (Kohli & Jaworski, 1994). According to Slater & Narver (1994) market orientation consists of three major components: customer orientation, competitor focus and other significant market influencers such as regulators and suppliers. Through market orientation the company is able to identify the market needs and create “value for buyers, through the core competencies of a company’’ (Slater & Narver, 1994). Therefore, the presence of market orientation in a company could prevent the lack of “no market need’’ situation, particularly in start-ups; indeed, they create innovative products in risk situations, thus requiring marketing activities such as the identification of the potential customers and testing their interest, in order to understand the feasibility of the innovative idea. Furthermore, it is important to first understand the firm’s own value proposition and unique selling points (USPs), but also understand the external environment, made of all the firm’s stakeholders, that the start-up has to take into consideration to identify the structure of the market and determine the corporate strategy accordingly.

Usually, start-up founders decide to undertake a business path as they are convinced that their innovative ideas will be able to succeed regardless of market demand. In reality, the research and information gathering phase on the market is crucial to validate the innovative ideas that lead founders to undertake business paths.

This is particularly relevant if linked to one of the main green start-ups’ challenges, establishing demand from customers, since the firm has to create a new market for

an issue for which there is still not complete awareness. Therefore, carrying out market analysis and research will help the start-up to test ideas directly on the market and understand the feasibility of the business idea and whether there could be demand for the product or service that is intended to be offered. Furthermore, it is necessary to study the potential customers and be constantly updated on changes in the market, taking into consideration that from sustainability and “green” point of view, further factors and variables need to be taken into consideration. Especially nowadays companies need to be able to identify those consumers who are willing to either pay more or put in more effort in keeping their buying behavior consistent with their green attitudes.

3.3.2 Developing a Brand Identity

A fundamental element for start-ups is brand management: the brand, in fact, is the strategic foundation of the company, particularly important during the initial phase of the life of the company, because it allows to bundle and store the founders' attitude, performances, and values. Before developing a marketing and communication strategy, therefore, start-ups must define a brand strategy.

BrandTrust has developed some interesting insights on the most common pitfalls of start-ups for what concerns brand management:

- Polishing the surface but neglecting the substance: this situation happens in the case start-ups put a lot of effort and investments in marketing activities

for “surface” elements, such as logo design, brand name, communication activities, without having first defined the brand identity. The start-up risks in this way to develop a brand image that is not coherent and clear, as well as inconsistent marketing and communication activities that could create confusion in the customer’s perception. This is particularly unappealing for green companies

- Making increased awareness the top priority: trying by all means to create greater awareness does not automatically translate into greater success. It is first necessary to understand what makes the brand attractive to consumers, and then consciously invest in marketing activities. Trying at all costs to increase customer awareness leads to great costs, both in terms of effort and financial, and is a great risk if the company has not identified a target group to turn to.
- No clear and differentiating positioning: clear positioning is a critical survival factor. As previously stated, the company must base its positioning on factors that can differentiate it from the competition and give it a competitive advantage, so that the company can focus on those aspects and does not waste time and resources.

According to *BrandTrust*, effectively managed brands:

- lay the strategic basis for the orientation and management of the company;

- create lasting attractiveness for the target and guarantee the growth of the start-up;
- provide a clear path that founders can follow consistently, without getting lost in too many new ideas and keep them true to their core.

Therefore, this aspect fits particularly well for this thesis, as it is crucial both for the "start-up" aspect, and also for the aspect of "green marketing", where much of the customer's choices are addressed by trust, transparency and consistency they perceive from green brands.

Briefly, the definition of a brand, according to Kotler & Armstrong, is "a name, term, sign symbol (or a combination of these) that identifies the maker or seller of the product". A brand owns a more intrinsic communication capacity, which goes beyond the tangible features (logo, colors etc.) or the quality of the products or services offered. Indeed, a crucial element to develop is Brand Identity, defined as "a set of unique brand associations that a brand strategist aspires to create and maintain" (Aaker, 1993); in other words, is the set of elements that identify a brand and distinguish it from competitors. Those elements are the mission, vision, values as well as the tone of voice and visual identity, made of more tangible and expressive elements.

For a start-up it is important to build a strong and clear identity around the brand, that is connected to how the company wants to be perceived by customers, as well as other external stakeholders such as potential partners, current and future

employees, investors, suppliers, intermediaries and so on. A well-defined brand identity is especially important for green companies, in order to plan the marketing and communication strategy accordingly, in order to deliver the sustainability values coherently (Aaker and Joachimsthaler, 2000).

Once the company has determined which are the attributes of the brand, the next step is to enhance them in the customers' perception and differentiate from the competitors, through brand positioning. Brand positioning, according to Kotler, is "the position occupied by a brand (and its products) in the minds of consumers on the basis of differentiation from competitors." Thus, the company defines its "value proposition" which concerns the "complete positioning of the brand, that is the entire combination of benefits on which its positioning is set", related to its competitive advantage on the competitors, that should drive potential customers to choose the company's products or services. According to Kotler, the characteristics on which to base the differentiation should be exclusive to that brand, relevant to the customer, credible and difficult to reproduce by other competitors.

Concerning green companies that aim at positioning on sustainable factors, Polonsky asks them "what are the underlying environmental values and behaviors of the firm and its products?". Therefore, companies have to understand what their green values, purpose and behavior are, on which to set their competitive advantage. Polonsky adds that true green marketers demonstrate strategic greening by incorporating green values into all decision-making processes. A critical issue for

companies that position using sustainability aspects is that they must match their rhetoric with customer expectations, since any inconsistent and "not-transparent" operation will be identified by the highly aware and informed customers, with negative consequences for the corporate reputation.

The company must consider how the brand identity will be perceived in the eyes of potential consumers; a concept known as "Brand Image". These two elements do not always coincide: it may happen, in fact, that the image of the company in the eyes of consumers is not consistent with that desired by the company. It is therefore important to create a clear, solid and coherent brand identity in order to enhance the brand attributes in the eyes of potential buyers, to increase the competitiveness of the brand.

The company must therefore work on its "Brand Equity", defined by Aaker as a "set of assets (and liabilities) linked to a brand's name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/or that firm's customers". In other words, it is "the differential effect of the brand knowledge on consumer response to the marketing of the brand", according to Keller. The tangible elements of Aaker's definition are brand loyalty, brand awareness, perceived quality of the brand, mental associations linked to the brand and other distinctive elements that characterize it such as registered trademarks, IP or trading partners.

Brand Equity, from a green consumer's perspective, acts as a means of differentiating that sustainable brand in comparison to non-green competitors, to push them to change their buying behavior towards the green alternatives, both due to the environmental benefits, but also the emotional benefits brought by the feeling of well-being after having bought a green product and the benefits of self-expression through socially visible and shared consumption (Chen, 2010)

Since the focus is on start-ups, which need to build their brand equity from new, a focus is made on the model developed by Keller (1993), called Customer-Based Brand Equity (CBBE"), to build a strong Brand Equity.

The Keller Pyramid is divided into four phases:

1. *Brand Identity* (who are you?): at the base of the pyramid there is the concept of brand identity, through which the company makes itself recognizable to customers. In this phase, the company must identify its USP, carry out brainstorming to determine the attributes of the brand, while carrying out analysis and market research, for example, to study the brand-product associations of potential customers.
2. *Brand Meaning* (what are you?): it refers to the meaning of the brand to the customers after they are aware of its existence, and it is about creating positive associations in the stakeholder's minds. Keller splits it into Brand performance (rational), which is about customer satisfaction with regards to functionality, reliability, durability and price, as well as customer service.

The other element is brand imagery (emotional), which is the ability of the product to satisfy the social and psychological needs of customers.

3. *Brand Response* (what about you?): in this level, the company analyses the feelings of customers for the brand, which are again split into judgments and feelings, and it concerns the judgment that each consumer gives to the brand also concerning competitors.
4. *Resonance* (what about you and me?): it refers to the brand's ability to retain consumers, by creating long-lasting relationships, through the active involvement of the customer.



Figure III.3 - Source: own elaboration of Keller's Pyramid (1993)

To conclude, it is possible to state that brand management is crucial for the survival and success of start-ups. This, given their business structure, is much more easily feasible than well-established market players, as also stated by *BrandTrust*. This is due to their new, simple and flexible structure and the patterns still to be decided. What they might lack in terms of stability and reputation, is made up for with agility and resolution, brought by their founders and their direct approach to the business operations, influenced by their values and ideas.

3.3.3 Importance of planning for start-ups

The importance of planning before engaging in new activities is well-known, and this is particularly suitable for the founders of a new venture. Strategic planning is related to the setting of long-term goals, the development and implementation of plans and the allocation of resources to achieve them (Stonehouse & Pemberton 2002).

Delmar and Shane (2003) have identified four main reasons why founders should engage in planning during the process of venture creation. The planning process, in fact, allows founders to develop a structure and a context to (1) quickly identify what they do not know, (2) understand what resources they need and when these resources could be used, (3) identify specific actions that can help solve problems and achieve goals and (4) help communicate to others the goals, objectives and activities necessary to achieve the success of the firm.

The literature amply demonstrates how the planning process can increase the survival expectations of start-ups (Liao and Gartner 2006). This is because, during the elaboration of the business plan, the entrepreneur can reflect in-depth on the feasibility of the business idea and on the state of the market in which the company plans to act. After drafting the business plan, the founder could both rethink the previous approach intended for the market or even give up the business idea, due to its non-feasibility, be it economic or structural. (Chwolka and Raith 2012).

Although it is a tool that requires high depletion of time and commitment, it is considered one of the key steps in the initial phases of a start-up; indeed, the benefits that the company obtains from it are much more impactful than the efforts spent while drafting it (Delmar and Shane 2003). In addition, the business plan should be kept constantly updated during the development phases of the organization.

The lack of a business plan during the initial phase of a start-up leads to making more instinctive decisions, without careful reasoning on the steps to follow for adequate development of the company's activities.

Wang et al. (2011) have collected some useful insights on the lack or low levels of strategic planning in SMEs during the initial phases of their life cycle; the resulting information is useful also from the point of view of start-ups, since in both cases research refers to the initial phase, before starting the operational activities. In particular, for new ventures there is the tendency to orientate more towards short-term operational goals rather than long-term strategic issues, and the decision-

making process is reactive rather than proactive (Jones 1982; Gaskill, van Auken & Manning 1993; Brouthers, Andriessen & Nicolaes 1998; Stonehouse & Pemberton 2002; Mazzarol 2004). Moreover, in the case SMEs affirm to engage in planning activities, the actual plans are more intuitive rather than formally written, and do not allow controlling measures to analyze the results (Kelmar & Noy 1990). The barriers that prevent strategic planning analyzed by the literature are lack of time, lack of specialized expertise, inadequate knowledge of the planning processes, or a reluctance to share strategic plans with employees and external consultants (Robinson and Pearce, 1984), type of industry (Shrader, Mulford & Blackburn 1989), internal implementation barriers (O'Regan & Ghobadian 2002) and business life-cycle/stage of development (Berry 1998) and they are all related to a final goal of profit or growth maximization.

Wang and Walker (2011) have developed an alternative approach, which is more suitable to start-ups, since it is related to the figure of the entrepreneur, who in the case of start-ups is central, and the initial motivations for being in business. In this sense, the owner could pursue either profit/growth maximization goals or personal fulfilment goals (such as personal satisfaction, a less rigid and more flexible lifestyle, more job satisfaction), and this choice will determine the strategic imperatives of the business. According to the study, owner-managers pursuing a profit/growth maximization agenda will be more inclined to engage in strategic planning rather than founders whose objectives are personal.

The next chapter concerns the case study of this thesis, the start-up Roy Rebel. It is a circular start-up that after two years from its birth, had not yet managed to find a profitable segment, risking failure, as there was no marketing experience among the founders. The problems will be analyzed more in-depth and afterward, a study will be made to understand what led to the situation, reconnecting with what was analyzed in the first three chapters.

CHAPTER 4 – THE CASE STUDY: THE CIRCULAR START-UP ROY REBEL

4.1 METHODOLOGY

4.1.1 Case study

The adopted methodology is a case study approach, related to a circular start-up, Roy Rebel, to explore the challenges that a new green venture faces in the development of a marketing strategy (Eisenhardt, 1989; Yin, 2014). Through this method, it is possible to have a deep understanding of the phenomenon taken into consideration (Dubois and Gadde, 2002; O’Toole and McGrath, 2018).

In order to analyse the case study chosen the methodology used is qualitative research, through semi-structured interviews with key informants as a primary data source (Corbin and Strauss, 2015; Yin, 2014; Eisenhardt and Graebner, 2007) and an active observation period once a week from July to October 2021, that allowed to have a further knowledge and understanding of the start-up’s *modus operandi*. The study comprised interviews with two informants from the start-up, the analysis of the communication materials provided by the organisation and the social media analysis.

The purpose of this work is to detect the challenges that a green start-up faces when developing a marketing and communication strategy.

4.1.2 Case profile

4.1.2.1 The circular start-up Roy Rebel

Roy Rebel is a circular start-up based in Jesi (AN) which was founded in 2019, that sells bags, backpacks, motorcycle saddlebags, office supplies and shoes made of CUMMIS, which is an ecological rubber sheet, made of “pre-consumer” tyre waste, that are tyre components that were discarded by the producer before entering the production process.

Roy Rebel is categorised as a green start-up, since it develops products that have a positive impact on the environment and thus contributes to the environmental objectives of the green economy (Bergset and Fichter, 2015), and more specifically, a circular start-up (Heyes et al., 2018; Pieroni et al., 2019), since it applies the principles of environmental sustainability through a circular production model. It can be considered as an “inventive start-up” since there is both a pursuit of sustainability objectives and a search for growth and profitability by the founders and the collaborators. Indeed, the elements that make this company “green” are obviously product-related, but also entrepreneur-related, as the values and attitudes of the founders are deeply connected with environmental sustainability, since they have been working in the recycling sector for more than 35 years with their main activity, Center Gomma, and have decided to find further uses for the recycled material through the start-up (Bergset and Fichter, 2015).

4.1.2.2 Main milestones

Before entering into details, a step back is needed: everything started in 1984, when Elio Baioni founded the company Center Gomma S.r.l. in Jesi, in the Marche region, followed by his two sons Gabriele and Gianluca. The company is specialised in the production of recycled rubber compounds, that are manufactured by recovering “pre-consumer” tyre waste discarded during the tyre production phases and have various fields of application, including technical items, original mats, compounds in plates for molding and strip compounds for tyre rethreading. Soon the company became a leader in the sector, both national and international, guided by the strong sustainable and innovative spirit of their founders.

In March 2018 the Baioni brothers, driven by their innovative spirit but above all by their commitment to circular economy, and influenced by their young company collaborators decided to start a new project, in order to test a possible alternative use of their compounds. They researched a new composition for a compound that would be wearable, spending months verifying, with the aid of local craftsmen, the workability and feasibility of the innovative material they had in mind. In the end, in October 2018, they created an ecological sheet made up of 65% recycled rubber from tire production waste from the production waste of major global tire manufacturers such as Goodyear, Michelin, Pirelli, Bridgestone, that is manufactured in Center Gomma’s processing site in Jesi, that was named “CUMMIS”.

The owners decided to create some prototypes of motorcycle saddlebags; this decision was driven by the passion for motorbikes of the two owners, an already consolidated network of knowledge and relationships, also connected with and the presence of a Harley Davidson dealer in the territory. and the collaboration with a stylist, who had previously created similar products with inner tubes.

In January 2019 the first biker bags were created that composed the first product line, "Motorbike". This line presents motorcycle bags and travel backpacks that, due to their structure and composition, can be categorised with the semi-rigid saddlebags made in leather, found especially in "old style" motorcycles, custom bikes, modern-classic motorcycles, particularly inspired by Harley Davidson. These first prototypes immediately obtained interest and brought to the decision of evolving the activity from a test project to a business reality; the "Roy Rebel" brand, with which the founders decided to call the new start-up, was registered in that period. In February 2019, CUMMIS also obtained the REACH certification (Registration, Evaluation, Authorization and restriction of Chemicals), after having passed all the conformity tests that guarantee its complete safety.

Also in February 2019 the company launched the "Office" segment, from the collaboration with a local office accessories dealer, consisting of personal accessories such as key rings, laptop bags, cases, wallets.

In March 2019 the owners, realising the enormous potential of the CUMMIS compound, decided to file the application for the registration of the trademark, which will be granted in October 2021.

In June 2019, the company created the "Lifestyle" segment, from the idea of a company collaborator, that is the largest and most varied line of the company. It consists of backpacks, pouches and bags with an elegant cut, intended to be worn in free time and outings as accessories.

In January 2020, another line was commercialised, "Music", born following the acquaintance of a musician at a local concert and it consists mainly of cases for musical instruments. Finally, in July 2020, the segment "Footrub" was created, made of unisex biker and beatles model shoes.

In April 2021, the two founders delegated the responsibility of the Roy Rebel activity to Andrea Baioni, Gianluca's son, while they concentrated on the main activity carried out by Center Gomma and focusing on the production process of CUMMIS. Moreover, in this month the start-up obtained a further certification, being rated VVV +, the best level of the Animal Free Fashion ethical rating created by LAV. The owners decided to dedicate a facility entirely for business activities, including a showroom open to visitors, which was completed in July 2021.

4.1.2.3 Roy Rebel's communication activities

Since the creation of the start-up, several marketing and communication activities have been carried out by the company. An analysis of the tools used and activities carried out has been done, concerning both the online and traditional/"offline" communication of the company, from the start of the operations in 2019 until October 2021. The table that collects the data on communication can be consulted in the Appendix section. The analysis concerns the type of tool or activity carried out, to whom it was specifically addressed, through which channel, the cost and the quantitative results achieved. Some activities done, in particular those prior to spring 2020, were operated by the external agency and for this reason no information is available on the cost or on the actual results obtained.

Starting from the beginning, the first tool used in 2019 have been the classic brochures for the "Motorbike" segment, which the agency distributed to motorcycle dealers and accessories for motorcycles, the fairs in which it participated, local events, and visiting customers. In general, this tool was intended primarily for dealers of motorcycle products, such as authorised dealerships, especially Harley Davidson. In 2020, after the contract with the agency ended, new brochures were developed that extended and updated the existing brochure and were gradually created for the other product segments as well. With these, the company switched the intention set by the agency with the first brochures: communicate the history of the material, rather than the product itself, leveraging its green values. The

quantitative results, both for the first print with agency and for the second, are not considered as quantifiable for the company, as they were distributed in contexts where the company was already in contact with the customer, therefore used mainly as a way to list the company's products.

In September 2019 the circular start-up participated as an exhibitor at the European Bike Week in Faaker See, Austria, which is the largest motorcycle gathering in Europe, intended primarily for Harley Davidson owners. The main results were some direct sales during the event and some contacts made, but as the company was entrusted to the agency at that time, no further data is available.

From 2019, the start-up has sponsored Enrico Fulgenzi, a Porsche driver in the Porsche Carrera Cup Italia, consisted into a conspicuous financing also the supply of equipment and gadgets; on the other hand, the sponsorship allowed Roy Rebel to have his logo visible on the racing car and the publication of dedicated posts on the social network page of the driver.

In November 2019 Roy Rebel participated at EICMA in Milan as an exhibitor and in January 2020 at the Motor Bike Expo in Verona; in both cases, several contacts were made with several motorcycle manufacturers, but it was impossible to nurture the contacts due to the pandemic that would have broken out shortly thereafter.

In January 2020, the company participated as official sponsor at "Sanremo Rock" musical event. The sponsorship consisted, in addition to conspicuous financing the event, also the supply of gadgets dedicated to the event by Roy Rebel, which were

put up for sale on the e-commerce; on the other hand, the sponsorship allowed Roy Rebel to have his logo visible during the live streaming and sharing of contents related to the company on the social channels of the event. Unfortunately, due to the pandemic, the 2020 edition took place online and in Sanremo only the participants and their companions were present.

In January 2020, Roy Rebel also participated in an international exhibition for musical instruments, the NAMM in Anaheim, California, through an importer of musical instruments but without any significant results. For these reasons, the start-up, at the time of the interview in July 2021, expressed its intention to gradually abandon the Music segment, as there is an awareness of the lack of experience in the field and the preference to focus more on the other segments.

In June 2021, the company participated in the Motor Bike Expo in Verona, again as a visitor. Little feedback was received, as the number of visitors was very low due to the pandemic.

In June 2021, the start-up made a sponsorship for “Stuntmen Show Production”, which is a company that organises stunt shows in the Italian theme park Mirabilandia (RA). The sponsorship consisted, in addition to a conspicuous financing, also the supply of equipment and gadgets, in particular the shoes, which were used during the performance; on the other hand, the sponsorship allowed Roy Rebel to have his logo visible during the performance in various parts of the scenography and the publication of posts related to Roy Rebel on the social network

pages of the stuntmen. The company obtained feedback from the social media point of view, in terms of an increase of interactions on the company's Instagram page.

In September 2021, the company participated at MICAM in Milan in September 2021, an international exhibition, a reference point for operators in the footwear sector. The main feedback has been numerous interesting contacts, especially from other footwear manufacturers interested in the CUMMIS material. From the point of view of the company, an increased awareness of the complexity, eclecticism and heterogeneity of the footwear industry has been developed.

Another important part to consider are the digital marketing activities, part of the online marketing activities.

The company, at the time of the interview, uses two main social profiles, Instagram and Facebook and has its own website.

From March 2019 to September 2020 the company relied on an external agency for the management of social media and the website. The agency, whose owner was a personal contact, was more properly a press office that was also responsible for managing social media, creating the website and taking care of the press review.

The social media used have been Instagram and Facebook. Several issues were found by the start-up, related to the lack of direct control and difficulties in having a continuous coordination and exchange of information with the agency; moreover, some pitfalls were detected, concerning the outdated e-commerce site and page, social networks pages not developed, which led to an inactive situation. Another

negative experience with the agency was a technical documentation error that hindered the possibility to be present on Amazon, which blocked the practice.

In October 2020 Roy Rebel started to manage the social media internally; the main contents are photos and videos made internally given the experience of the sales manager Renato Barchiesi in photography. The management of social media does not follow any method or planning tools, without following a publishing pattern, as everything is decided randomly the same day.

In June 2021, the start-up implemented a new website, based on a different software; the contents were developed internally, and it was decided to give a new image to the brand, with new colours and a new, more readable interface.

4.2 FINDINGS AND DISCUSSION

4.2.1 Green marketing challenges

Several challenges were identified from the study of the case and have been classified into internal and external challenges. Internal challenges depend on the start-up's internal features and way of operating that have impacted on green marketing, while external challenges are situations in the external environment that are detected as threats for the organization. In total, 6 challenges were identified, of which 4 internal and 2 external.

The internal challenges are:

- a. Lack of marketing background and orientation (Kohli & Jaworski, 1994)

- b. A new business model with respect to the established activity carried out (Teece, 2010; Casadeus-Masanell & Ricart, 2010)
- c. Difficulty in establishing a substantial and profitable demand from consumers (Haldar, 2018)
- d. Difficulty of making itself known and growing in the market

The external challenges are:

- e. Lack of information on the customer's side of the market (Linnanen, 2002)
- f. Covid-19 pandemic situation

Green Marketing Challenges	
Internal challenges	a. Lack of marketing orientation
	b. New Business Model
	c. Lack of profitable demand
	d. Lack of growth and awareness from the market
External challenges	e. Lack of sustainability awareness in the market
	f. Covid-19 pandemic

Table III.1- Roy Rebel marketing challenges

4.2.1.1 Marketing background and orientation

The background knowledge of the founders is of a more technical nature and linked to production and supply chain, due to the nature of the business and the experience matured with Center Gomma. The owners tried to overcome this issue by entrusting an external agency in March 2019 to set up the communication structure, which did not bring the expected results and brought an end to the business relationship. Once the company terminated the contract, they remained with a communication structure already developed, since the "basic" system was developed by the agency; they still decided to develop marketing activities internally, but they continued lacking the necessary marketing skills. The owners communicated their difficulties in establishing demand from the market for their several product lines. This issue presents the features of the “no market need” failure reason for start-up (CB Insights, 2020), according to which the start-up failed to understand where to fit within the marketplace. This may be linked to the lack of market orientation of the start-up (Kohli & Jaworski, 1994); indeed, the company did not carry out market research and analysis pertaining to customers, competitors, and forces affecting them.

4.2.1.2 New business model

The start-up is characterized by a completely different business model compared to that of the main company of its founders. In fact, Roy Rebel creates and distributes value in a different way than Center Gomma (Teece, 2010; Casadeus-Masanell &

Ricart, 2010). The owners, having thirty years of experience operating in the waste management sector, now find themselves in a new sector, with a new core business, with completely different dynamics and new challenges.

Roy Rebel operates through a Sustainable Business Model (Bocken et al., 2014), creating value from “waste”, in the fashion sector; this SBM has a different architecture as regards its value proposition, key activities and resources, customer segments and relationships, channels used, key partners, and finally, revenues and costs (Osterwalder & Pigneur, 2010).

Producing accessories from recycled materials and offering at the same time a vegan alternative to consumers, implies a main change in the key partners, customer segments, customer relationships and channels used, and consequently a new way in which the start-up creates and delivers value to the customers, plans the strategic objectives and put into practice the strategy (Casadeus-Masanell & Ricart, 2010).

4.2.1.3 Finding a green market segment

Roy Rebel is well-known in the surrounding area, thanks above all to the main activity carried out by Center Gomma. However, the company is aware that the type of products offered cannot be placed solely in a local reality, due to the type of needs that they satisfy and that their inner green values, which if only applied at a local level could not allow the start-up to achieve a significant share of sales and awareness for its growth.

In developing a green marketing strategy for obtaining a competitive advantage, the start-up has to be clear on the green marketing operations that it wants to develop. One of the key areas of importance is green segmentation, targeting and positioning (Peattie, 1999), in order to define a coherent strategy.

The identification and correct targeting of market segments is challenging for the start-up, due to the presence of five different product lines, each of them satisfying different needs and consequently aimed at different audiences. The start-up, therefore, has not identified a customer segment that is measurable, that can be easily reached, large enough to be profitable and that it is responsive to the marketing offers (Kotler, 2003).

Consequently, the start-up, having a lack of market focus, has carried out different communication activities, addressing totally different segments, using different means and channels and communicating different values to the customer. An example is that Roy Rebel participated both in the MICAM exhibition, where fashion footwear brands are present, and also to the EICMA exhibition, where new motorcycle models are on display for motorcycle enthusiasts. These two events are aimed at different targets, with different features and characteristics.

Moreover, for a young start-up like Roy Rebel, it is complex to divide time and costs into five different segments, and the situation is further complicated by the lack of a method to follow. Indeed, the start-up is able to follow the "Motorbike"

segment in the first place, which brings the greatest income, followed by "Footrub" and "Lifestyle", leaving aside the "Music" and "Office" segments.

4.2.1.4 Developing a green brand identity to grow in the market

Since the start-up has developed several product lines and communicated them to different audiences, it is challenging to favour a clear brand association.

A well-defined brand identity is especially important for green companies, in order to plan the marketing and communication strategy accordingly and deliver the sustainability values coherently (Aaker and Joachimsthaler, 2000; de Chernatony & Dall'Olmo Riley, 1998), since much of the customer's choices are addressed by the trust, transparency and consistency they perceive from green brand (Ottman, 2008). In order to be able to construct its own brand identity, it is necessary to have an in-depth knowledge of the business, define the values and objectives, and in particular what is the element that distinguishes the offer compared to that of its competitors.

An example is the decision to sponsor "Stuntmen Show Production" in Mirabilandia. From an analysis of the company in question and its target (both online and offline) it emerged that the activities done and the values communicated during the events are not consistent with the essence of the brand and its sustainability values, and do not encompass coherently all the product lines. This brings the risk of distorting the brand image in the eyes of a consumer who, for

example, is hypothetically interested in the Lifestyle segment, definitely far from the concept of stuntmen, adrenaline and engines. Also, from the point of view of green marketing, a sponsorship of this type calls into question the sustainability values of the company in the eyes of customers.

This heterogeneity in communication is not in line with the objectives of green marketing; in fact, for a green start-up it is essential to establish credibility and transparency towards customers and this is done through consistent communication (Ottman, 2008).

4.2.1.5 External challenges

The first external challenge relates to a frequent issue for green start-ups: the environmental awareness on the customers' side of the market that could influence the actual demand for sustainable products and services (Linnanen, 2002). Nowadays, especially after the pandemic, there has been a change in consumer behaviour, more oriented towards sustainability (McKinsey, 2019). However, this depends on the type of product and the needs they satisfy. Moreover, customers, when purchasing green products, still have the need to maintain their lifestyle, meaning that, in the choice, they put their functionality, price, flavour, effectiveness, sanitary, attractiveness and ease of finding them first (Ottman, 2008).

The products offered by the start-up are aimed at different targets, each of them with different socio-demographic features, attitudes and lifestyles, that in turn influence their environmental awareness and their attention to companies that provide green alternatives. As a consequence, the sustainability values of the brand can be perceived in different ways from the potential customers. According to the market analysis for the bags and shoes segment, the trend in the market shows an increasing awareness and attention to sustainability (McKinsey), however, it has to be considered that there are already well-established competitors in the market, such as Freitag or Yatay. On the other hand, the "Motorbike" line is aimed at a target that notoriously has a lifestyle that does not reflect sustainability, however, according to web research, there are some interesting niches in the riders' market with a vegan lifestyle.

The second external challenge for the start-up has been the global pandemic, that has amplified the risk conditions in which start-ups traditionally operate; in Roy Rebel's case, the pandemic strongly impacted the possibility to create and nurture the relationships with the first contacts achieved during the events and exhibitions where the start-up participated. Those first contacts, indeed, are fundamental in its first phase of development (Passaro et. al., 2016), in order to build the network of relationships that is crucial for the survival of the start-up but were hindered by the outbreak of the pandemic.

4.3 RECOMMENDATIONS

After having identified the main marketing challenge for the green start-up considered, the following recommendations are hereby made.

Research and information gathering phase of the market is crucial to validate the founders' innovative ideas. Therefore, carrying out market analysis and research will help the start-up to test ideas directly on the market and understand whether there could be demand for the product or service that is intended to be offered. Furthermore, it is necessary to study the potential customers and be constantly updated on changes in the market, taking into consideration that, from a sustainability and "green" point of view, further factors and variables need to be taken into consideration. In fact, especially nowadays it is important for companies to be able to identify those consumers who are willing to either pay more or put in more effort in keeping their buying behaviour consistent with their green attitudes. This is particularly relevant if linked to one of the main green start-ups' challenges, establishing demand from customers, since the firm has to create a new market for an issue for which there is still not complete awareness.

In order to give a coherent image to the brand, it is advisable to focus on a single product segment and consequently a single target on which to focus its offer. This will allow Roy Rebel to carry out market analysis and research with a more direct and precise focus, in order to define the target customers and the competitors, to understand the attributes on which the brand wants to position itself and

differentiate the offer and build a competitive advantage. Subsequently, the start-up will be able to define which strategy to pursue to communicate its brand and its products and position itself in the minds of green consumers, using the tools provided by the Green Marketing theory. Given the lack of marketing orientation within the company and the negative experience with the external communication agency, it is advisable for the company to overcome these gaps by introducing a marketing expert within the company staff, who can provide competent guidance for the definition of brand management strategies and the definition of market strategies. In this way, the rest of the staff can focus completely on the activities of which they are most competent, and the marketing activities can be carried out by a person inside the company, who is aware of the corporate culture, over which the managers can have direct control, continuous coordination and exchange of information.

Despite the challenges considered, it should be noted that Roy Rebel is not in an irreversible market position; indeed, being a start-up, it can take advantage of both the flexibility and adaptability that the small dimensions enable and the fact that they are still at the beginning of the operation activities, therefore they can use an alternative strategy and start over.

CONCLUSIONS

The purpose of this work was to detect the challenges that a green start-up faces concerning the developing a marketing strategy. The methodology adopted has been the case study of the circular start-up Roy Rebel, in order to understand the challenges experienced and related implications.

The comparison of data gathered and literature enabled the identification of six challenges faced by the start-up that have been divided into internal and external challenges. The internal challenges (4) are related to the start-up's inner characteristics and way of operating that have impacted on the green marketing, while the external challenges (2) are related to environmental factors that acted as threats to the development of a green marketing strategy.

The first internal challenge is the lack of marketing orientation of the founders, since their competence and knowledge background are more focused on production and supply chain, due to the nature of their main business, Center Gomma.

The second challenge is related to the fact that the circular start-up operates with a different business model with respect to the established activity carried out, with a new core business and a different structure and dynamics with regards to the value proposition, the key activities and resources, customer segments and relationships, channels used, key partners, and finally, revenues and costs.

The third challenge is the difficulty in establishing a substantial and profitable demand from consumers, due to the presence of five different product lines, each

of them satisfying different needs and consequently aimed at different audiences, that makes the identification and correct targeting of market segments challenging for the start-up.

The fourth challenge is the start-up's difficulty of making itself known and growing in the market, brought by the criticality of favouring a clear brand association between the products offered and the brand itself.

Concerning the external challenges, the first one is the lack of environmental awareness on the customer's side of the market; indeed, despite generally there is a growing attention to the environment, for some kinds of products the buying decision is still influenced by non-green features, such as functionality, price, effectiveness.

Finally, the last external challenge is the Covid-19 pandemic situation, which has hindered the possibility to establish and nurture relationships with contacts, and building the network of relationships, crucial in the development phase of the start-up, as well as the possibility to participate in events, exhibitions and meetings with potential customers or other stakeholders.

The identification of these challenges allows the company to have a clearer focus on how to act to address these critical issues.

The challenges identified, in particular the external ones, give a relevant insight on the importance of the planning phase that precedes the marketing operational activities of a business. This function is crucial for a circular start-up like Roy

Rebel, as its products are highly innovative, offering an alternative to the traditional ones already on the market, thus requiring analysis and market research to understand if it is possible to find profitable environmental aware segments in the market

However, by following the process of creation of the different product lines, it can be noted that the start-up's decision-making process is more reactive rather than proactive, without validating the assumptions by carrying out analysis and research on the market. As a consequence, this has led to excessive and heterogeneous communication, which did not foster a coherent brand association in the external public. This, from a green marketing perspective, does not allow to pursue the strategies for sustainable marketing communication, such as knowing the customer, educating and empowering them and overall, being credible. Therefore, by neglecting strategic planning, the start-up cannot implement the growth potentiality and could be subject to survival risk (Berry, 1998).

To conclude, applying circular economy in the business operations, in addition to bringing a positive contribution to the society and the environment, is also a great opportunity for the organization itself, as today there is a growing environmental attention and awareness in the society, with consumers that are more informed and conscious about the environmental alternatives. Much of this sustainable innovation is possible through the activity of start-ups such as Roy Rebel, that are finding alternative ways to produce by reducing the impact on the environment. However,

the operational activities must be supported with adequate marketing activities, in order to enhance and give value to the sustainable innovation and ensure an economic growth to the venture to survive and continue operating to bring benefits to the society.

The findings of this study have to be seen in light of some limitations. The first is the qualitative nature of the research on a single case study, that has allowed to define the marketing challenges specifically related to the single start-up taken into consideration. The second limitation concerns the gap in the literature relating to prior studies on green start-ups and related issues. For these reasons, further studies on other cases related to the same topic are recommended, in order to gain further insights on the research subject.

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APPENDIX

Table III.1. Analysis of the communication activities carried out from 2019 to October 2021

Specific communication tool/activity	Channel	Target	Budget	Results
Brochure 2019 – “Motorcycle”	Exhibitions and events Hand-to-hand (small local events) Sent by email to contacts database At retailers Together with the products shipped	Dealers in the motorbike sector	Agency	Not quantifiable - there were no particular contacts deriving from the brochures, as they were distributed in contexts where the company was already in contact with the customer.
Catalog 2019 – “Lifestyle” Catalogs 2020 – “Motorbike”, “Office”, “Music”	2019 lifestyle catalog: sent to 2019 partners, but not massively distributed Motorbike catalogs: sent to all dealers (see contact / customer list) Office catalog: not massively distributed (see contact / customer list) Music catalog: has not yet been released, as the company is not focusing on the Music line for the moment	The catalogs are designed for retailers of the various product lines (Motorbike, Lifestyle, Office and Music) in the European market (also translated into English)	- Catalog 2019: agency - 2020 Catalogs: design and print around € 5000	Not quantifiable

Company description panel 2019	Present in every store positioned next to Roy Rebel products	Dealers' clients	Included in the € 5000 of the brochures	Not quantifiable
Calendar "MISS VISO 2021" in collaboration with TalentOne	300 table copies and 300 wall copies Sent to dealers Distributed between personal contacts and company acquaintances Distributed by TalentOne	No specific target	€2000	Not quantifiable
European Bike Week in Faaker See, Austria (September 2019) – "Motorbike"	Stand «Roy Rebel»	The largest motorcycle gathering in Europe, attended by approximately 70,000 motorcycles and 120,000 visitors each year, including thousands of Harley-Davidsons with their eccentric owners, the classic "harleysts".	In total between € 8000 and € 10000, of which € 3000 for the stand.	Some sales (not quantifiable) Contacts taken from the agency

<p>EICMA (5-10 November 2019) - “Motorbike”</p>	<p>Stand «Roy Rebel»</p>	<p>EICMA is one of the most important trade fair events in the two-wheeler sector in the world. The 2019 edition touched 800,000 visitors.</p> <p>It is mainly related to new motorcycle models, latest releases, presentations and previews.</p> <p>Its visitors are motorcycle enthusiasts, motorcyclists, motorcycle dealers.</p>	<p>€10000-12000</p>	<p>Contacts taken: Kawasaki, Piaggio, Honda, Bridgestone, Royal Enfield</p> <p>Inability to nurture the contacts due to the pandemic.</p>
<p>NAMM Anaheim, California (January 2020) – “Music”</p>	<p>In the “Stefy Line” stand, that is a distributor of musical instruments and accessories</p>	<p>The NAMM Show is one of the largest trade shows dedicated to music products in the world.</p>	<p>Transport costs</p>	<p>Not quantifiable</p>
<p>Motorbike Expo Verona (January 2020 and June 2021) - “Motorbike”</p>	<p>As visitors</p>	<p>It is the world’s largest exhibition dedicated to motorcycle customization, with over 170,000 visitors and 700 exhibitors.</p> <p>Aftermarket fair, for customizers, also aimed at second-hand, for</p>	<p>Limited costs: transport and ticket costs</p>	<p>Little feedback as there were not many visitors due to the pandemic.</p>

		motor enthusiasts.		
MICAM Milano (from 19 to 21 September 2021) – “Footrub”	Stand with the agent Specie from SPAZIOSPECIE together with other brands	MICAM, an international event promoted by the trade association of Italian footwear manufacturers Assocalzaturifici, is the world's most important fair and meeting point for operators in the footwear sector.		Numerous interesting contacts, especially from other footwear manufacturers interested in the CUMMIS material. Increased awareness of the complexity of the footwear industry.
Sponsor Enrico Fulgenzi Racing	Logo visible on the car Facebook and Instagram posts sponsoring Roy Rebel products	Enrico Fulgenzi is a Porsche driver in the Porsche Carrera Cup Italia, followed by motor (specifically Porsche) enthusiasts.	€60.000	Feedback from the social point of view: increase reach of the Instagram page, increase interactions
Sponsor Stuntmen show Production in Mirabilandia (from 15 June to September 2021)	Stuntmen wear Roy Rebel merchandise during their performances and shoes Publication of posts related to Roy Rebel on social networks	Spectators of the shows in Mirabilandia (various targets, especially families) and followers of the social network profiles of the stuntmen.	€ 24000 (- € 6000 supply of materials)	Still no feedback from a sales point of view (October 2021) Feedback from the social point of view: increase reach of the Instagram page, increase interactions

Official partner of Sanremo Rock & Trend Festival (2020 - online event) – “Music”	Roy Rebel logo visible during the streaming video Paper communication Spot on the Sanremo Rock social media pages Gadget specifically created for the event: one-shoulder backpack	Sanremo Rock & Trend Festival is the longest-running national contest of the rock scene. The audience is made up mostly of young people, passionate about rock.	€ 8000 (sponsorships) + other costs total costs around € 12.000	Difficult to sell due to Covid as the volume of people was very low (in terms of visitors and companions) Numerous views on the social channels
Roy Rebel Festival (29 June 2019) - In collaboration with Harley Davidson Jesi	Stand Roy Rebel in front of the stage	HD riders and rock music passionate people	Agency	Not high influx of people, few contacts obtained Acquainted with Renato (today’s sales manager)

Table III.2 Social Media Analysis

Social media	Pace of publication		Notes	Quantitative results achieved
Instagram profile (until July 2021)	- 3 posts per week - 2/3 stories per day but just re-posts	The feed follows a black pattern, with just photos of products The tone of voice is technical, moderate, straightforward The first posts published (with agency) were photos of products taken by the catalogue no storytelling, no focus on	➤ They don't follow an editorial plan; they simply decide day by day which post is going to be published and the caption. There's not a pattern of publication, everything is decided randomly. ➤ Regarding the stories, no content is created by the company, even if they are the most engaging tool - they are just used to republish posts from other people.	Some info requests received More visibility to the brand

		<p>sustainability, "rock" style.</p> <p>From August 2021 Instagram and Facebook shops</p>	<ul style="list-style-type: none"> ➤ They don't analyse the Insights. ➤ Telegram groups - no good for the algorithm and moreover, it is impossible to understand who is really interested in the company. 	
<p>Facebook profile (until July 2021)</p>	<p>Posts reshared from Instagram</p>		<ul style="list-style-type: none"> ➤ Facebook is just used to republish posts from Instagram ➤ No editorial plan ➤ No analysis of insights 	<p>More visibility to the brand</p>