
Prof Bholanath Dutta*

Green Marketing: Emerging role and opportunities in the 21st Century

Abstract

Green Marketing, also known as environmental marketing and sustainable marketing, refers to an organization's effort at designing, promoting, pricing and distributing products that will not harm the environment. The purpose of the paper is to study and review the history of "green marketing" and to provide a critique of both theory and practice in order to understand how the marketing discipline can contribute to progress towards greater sustainability. It also emphasizes the impact of environment on business, the opportunities to capitalize on the demand for green products; as the more innovative companies will reap benefits, and those who are re-thinking products and processes will be the leaders of the future.

It also highlights why progress towards a more sustainable environment has proved so difficult, and outlines some of the more radical changes in thought and practice that marketing will need to adopt before it can make a substantive contribution towards greater sustainability.

Introduction:

Economies across the globe are experiencing a new high with changes in the technological, legal and cultural environment. Countries like India are seeing new hopes with multinational companies coming into India, thereby improving the economic stature of a middle class Indian. The Economic growth has brought with it several other challenges like sustaining this economic growth amidst the serious consequences these technologies are having on the environment. Sustainable economy would be a long term reality for the coming generations if every organisation adopted the concept of sustainable development in their agendas. Sustainability means satisfying the needs of the present without compromising the ability of future generations to meet their own needs. Sustainable development focuses on improving the quality of life for all of the Earth's citizens through conservative

* Assistant Placement Officer & Faculty - MBA Dept, CMR Institute of Technology, No. 132, AECS Layout, IT Park Road, Bangalore- 560037

usage of natural resources. So companies are integrating sustainability with economic development, environment protection and corporate social responsibility (CSR). Concepts like green technologies, green CSR and green marketing are gaining importance in today's business environment.

Evolution

Many people believe that green marketing has evolved from environmental marketing and ecological marketing. But scope of green marketing is much bigger than these two. It encompasses environment friendly products and services and also value, pricing, customer satisfaction.

The term "Green Marketing" was coined long time back but it gained popularity only in the late 1980s and early 1990s. The American Marketing Association (AMA) for the first time organized a workshop on "Ecological Marketing" in the year 1975. The proceedings of the workshop was documented and resulted in one of the first book on green marketing titled "Ecological Marketing."

According to Peattie (2001), there are three phases in evolution of green marketing.

(i) Ecological Green Marketing: This is the phase where companies were concerned to help environmental problems and provide remedial measures for environmental problem.

(ii) Environmental Green Marketing: In this phase focus shifted on clean technology, which helped in designing innovative products and take care of waste disposal and pollution.

(iii) Sustainable Green Marketing: Green marketing is not for short term objective. But it needs to be sustainable. This concept came up in late 1990s and early 2000.

Jacquelyn A. Ottman has described green marketing at three different levels (i) **Marketing:** development of new technology, new process and new product and communicate the same to the customer. Innovation is an integral part of it. New process and technology to develop environmental friendly products and services. (ii) **Holistic Nature**- All the stakeholders need to be part of this initiative – marketer, supplier, retailer, educator, and members of community, regulators, NGO – all of them. (iii) **Environmental Issues:** Needs to be balanced with primary customer needs. There are many ways wherein along with the making profits marketers can take care of environmental issues as well.

Social Responsibility and Green Marketing

Many firms are beginning to realize that they must achieve environmental objectives as well as profit related objectives. This results in environmental issues being integrated into the firm's corporate culture. Firms in this situation can take two perspectives-

- ❖ They can use the fact that they are environmentally responsible as a marketing tool;
- ❖ They can become responsible without promoting this fact.

Organizations like the Body Shop heavily promote the fact that they are environmentally responsible. On the other side firm that does not promote its environmental initiatives is Coca-Cola. They have invested large sums of money in various recycling activities, as well as having modified their packaging to minimize its environmental impact.

Government Pressure

Overall governments want to "protect" consumers and marketers both. For the same, Governmental regulations relating to environmental marketing are designed to protect overall environment in several ways-

- 1) Reduction in the production of harmful goods or by-products.
- 2) Modification in consumer and industry's use and/or consumption of harmful goods.
- 3) Ensuring that all types of consumers have the ability to evaluate the environmental composition of goods.

Many by-products of production are controlled through the issuing of various environmental licenses. In some cases governments try to "induce" final consumers to become more responsible. For example, some governments have introduced voluntary curb-side recycling programs, making it easier for consumers to act responsibly. In other cases governments tax individuals who act in an irresponsible fashion. For example in Australia there is a higher gas tax associated with leaded petrol.

Competitive Pressure

In such a competitive world, sustainability is the major issue for the companies. In the market there are generally two types of groups-

- ❖ Innovators
- ❖ Emulators

Innovators, who try to innovate something new and good for the environment. The green marketing initiatives by niche companies such as Body Shop and Green & Black have prompted many mainline competitors to follow suit.

Emulators, who try to follow the behavior of the companies which are environment-friendly. It could be argued that Xerox's "Revive 100% Recycled paper" was introduced a few years ago in an attempt to address the introduction of recycled photocopier paper by other manufacturers.

Cost or Profit issues

Firms may also use green marketing in an attempt to address cost or profit related issues. Reduction of harmful waste may lead to substantial cost savings. For Example- Disposing of environmentally harmful by-products, such as polychlorinated biphenyl (PCB) contaminated oil are becoming increasingly costly and in some cases difficult. In other cases firms attempt to find end-of-pipe solutions, instead of minimizing waste. In these situations firms try to find markets or uses for their waste materials, where one firm's waste becomes another firm's input of production. For example, the fly ash generated by thermal power plants, which would otherwise contributed to a gigantic quantum of solid waste, is used to manufacture fly ash bricks for construction purposes.

The impact of the environment on business

All the issues on the green agenda can produce opportunities and threats for different types of businesses. There are five key ways in which the environment can have an impact on a business.

- ❖ Direct impacts. Changes to the physical or human environment may alter a company's costs and the resources at its disposal.
- ❖ Consumer demand changes. Environmental changes may alter the customer's requirements for products and information.
- ❖ Competitive environment changes. The green agenda may present threats and opportunities, which alter the balance of power within a market. Suppliers and distribution channels may also be affected by green issues in ways which have an impact on a company's competitive strategy.

- ❖ Legislative change. Concern over green issues can lead to new environmental and social legislation governing business activity.
- ❖ Indirect impacts. Green issues may spark concern among the media, staff, the general public and shareholders, which puts pressure on companies to change some aspect of their operations.

According to Jacquelyn A. Ottman, (author of *Green Marketing: Opportunity for Innovation*) from an organizational standpoint, environmental considerations should be integrated into all aspects of marketing — new product development and communications and all points in between. The holistic nature of green also suggests that besides suppliers and retailers new stakeholders be enlisted, including educators, members of the community, regulators, and NGOs. Environmental issues should be balanced with primary customer needs.

Considerable progress toward reducing the environmental impacts of products has been made by environmental managers and product designers in the past. Motivated by regulations, new technologies and consumer pressure, designers have focused on particular eco-aspects of products such as reducing in-use consumption of energy; increasing the amounts of recycled or recyclable materials; reducing material intensity of products; and the impact of product take-back schemes. However, there are only a few strategic tools for marketers of green products, and even these have evolved in an ad hoc manner. Furthermore, Green designs, and more sustainable designs, will only survive if there is a market for the products that leading edge companies have developed.

While strategies for successful marketing of greener products do exist, they are not widely known. Therefore, companies that have made strides in greener product design, should approach Green Marketing by concentrating on the factors like -

Few Cases

CNG in Delhi: In the year-2002, Supreme Court of India passed a verdict to completely adopt CNG for all public transportation systems to curb pollution. This was a great step and appreciated by all as Delhi was being polluted at a very fast pace. However, there was lot of strikes and objections by the transporters but later on it proved successful and all appreciated the court order.

McDonald: In restaurant napkins, bags are made of recycled paper.

Hewlett-Packard: HP promise to cut its global energy uses 20% by the year 2010. To accomplish this reduction HP announced plans to deliver energy -efficient productions and services.

Philips: Philip's decision to launch 'super long life' bulb which can save up 20% energy is a great success in the market.

Badarpur Thermal Power station, New Delhi: Trying to find out ways to utilize the coal-ash which pollutes air and water.

Xerox Corporation: It introduced a high quality recycled photocopier paper to satisfy the demand of the firms for less environmentally harmful products.

Cocoa-Cola: Invested huge amount to minimize its environmental impact. Coke is regarded as highly environmentally friendly firm.

Walt Disney World (WDW): It has an extensive waste management programme and infrastructure in place.

Problem Areas

There are number of problems associated with the understanding and application of green marketing practices. Some of the problems are as follows:

- Firms practicing green marketing must ensure that their activities are not misleading the

customers and not violating any rules and regulations pertaining to environmental protection.

- Firms must be able to state clearly the benefits of green marketing. If customers come to know the benefits of green marketing then definitely they will appreciate it.
- Lack of scientific knowledge on the part of firms sometimes creates unnecessary problems. McDonald's replaced its calm shells with plastic coated paper. So there is ongoing debate which is more environmentally friendly.
- Sometimes steep competition can make a company to adopt unfair practices to cuts costs. So firms need to be socially responsible and look for sustainable development.

Challenges

There are few challenges as well in implementing the green marketing. Some of these are as follows:

- Practicing green is costly. Green products require renewable and recyclable products which are costly. So firm needs to find out the ways and strategies to implement the green marketing.
- Firm needs to invest lot of money on Research and development as it required new technology and process to implement the green marketing. Companies need to be innovative.
- Majority of the people are not aware of this concept in the developing and under-developing countries. But in US there is high awareness for green marketing. So awareness needs to be created in all the countries.
- Majority of the people may not like to pay the high price for the products. This is another problem. Until awareness is created about its benefits then it becomes difficult for the companies to practice green marketing.
- Water treatment technology is also very costly. So these all add up cost and ultimately

product cost increases and finally customer has to pay the premium which they don't like.

Opportunities

- (i) **New Market Opportunities:** Growth of green markets such as financial services and tourism. Green products represent the fastest growing area for new business.
- (ii) **Differentiation Opportunities:** Companies can have differentiation and uniqueness in positioning their products and services resulting edge of market competitiveness.
- (iii) **Opportunities for Cost Advantage:** Even the initial investment may be little more. But it is proven fact that investments using a more radical, clean technology approach are capable of reducing material and energy inputs and cutting inefficient pollution and waste.
- (iv) **Niche Opportunities:** In the short run, greener products such as organic food and cruelty-free cosmetics have succeeded within market niches comprised of the most environmentally aware consumers and marketed at premium prices.
- (v) **Customer Satisfaction:** In the past, customer satisfaction has been measured in terms of the performance of the product at the time of consumption or during the period of consumption. A green consumer may reject a product because they become aware of the environmental harm that the product causes in production or disposal.
- (vi) **The Product Concept:** If customer satisfaction is increasingly dependent upon the production process and on all the activities of the producer, we are approaching the situation where the company itself is becoming the consumer. In such a situation it matters a lot how responsible is the company? And its market practices. Company adopting green strategy will definitely have an edge over others.

(vii) Criteria for Success: Traditional marketing theory implies that if the traditional four Ps of the mix are right, then success will follow in the form of a fifth 'P' i.e., profit. Green marketing success involves ensuring that the marketing mix and the company also meet four "S" criteria (Peattie, 1995) :

- Satisfaction of customer needs.
- Safety of products and production for consumers, workers, society and the environment.
- Social acceptability of the products, their production and the other activities of the company.
- Sustainability of the products, their production and the other activities of the company.

(viii) Demarketing: One unavoidable conclusion of green marketing logic is that where a product is being consumer and produced in an unsustainable way, it may have to be demarketed to reduce consumption. In tourism and energy markets, changes in pricing or access to products have been used to try to reduce the level of consumption.

Green Marketing Strategies for a sustainable economy

There is no conventional green strategy for a specific product; how a company develops a distinctive green strategy reflects opportunities and constraints for the future. One of the crucial issues associated with green marketing is the concept of eco-labels. Ottman states that very few labels actually have an impact on consumer purchase decisions. The authenticity and credibility of seals of approval play an important role in the purchase decision. The 'Energy Star' label for energy efficiency and the 'Chasing arrows' for recycling are few of the recognised eco-labels. The labels need to be accompanied by text to eliminate any source of confusion for the consumer.

The 'Energy Star' Eco-label is gaining momentum with several refrigerator manufacturers. The green marketing strategy which focused on the 'CFC free' concept no longer endures the customer. Today most of the leading refrigerator brands in India are acquiring Star ratings for energy efficiency in order to conform to the regulations of Bureau of Energy Efficiency (BEE), a board set up under the Government of India. The need of certification came into existence from 1st January 2007 after the energy regulations for refrigerators came into force. LG launched India's first 5 Star rated refrigerator defining the highest standards of energy efficiency in 2007. Now BEE is planning to make Star ratings mandatory for air conditioners as well.

The provisions under the Kyoto protocol has certain provisions, where developing countries like India may have access to green products without adhering to any premium pricing strategy. The Kyoto protocol is an agreement made under the United Nations Framework Convention on Climate Change (UNFCCC) which came into force on 16th February 2005 and it focuses on reducing green house gas emissions. The Climate Change Capital (CCC) which manages the world's largest private sector carbon fund is keen on funding the Clean Development Mechanism (CDM) based energy efficiency lighting projects being planned by the Centre and being implemented across States such as Andhra Pradesh and Haryana. This project seeks to increase the penetration of CFL (Compact Fluorescent Lamps) among households across the country as an energy conservation measure. The scheme aims at enabling the private sector CFL manufacturers to collaborate with distribution utilities and sell these lamps at around Rs 10- 15 per piece to households while recovering the balance costs of CFL manufacture from the CDM provision of the Kyoto protocol. Currently CFL are sold in the market for around Rs 100 per lamp. This scheme would definitely build confidence among CFL manufacturers. Such

environmental provisions are definitely going to affect the Marketing Mix of environmentally friendly companies by making green products available to consumers belonging to different strata of the society.

Turning Green – A strategic decision

The concept of companies turning green is very ambiguous and could mean recycling, fewer emissions, fewer pesticides or less waste. It is up to the company to define and spell out their version of green to the consumer. In order to gain competitive advantage companies need to create a bond with their consumers. One of the ways through which this bond can be established with the environmental savvy consumer is to develop products using biodegradable and recyclable materials. Further industry watchers like the Energy and Resource Institute (TERI) in India have been keeping a constant watch on the companies' environmental practices compelling them to comply with their rules and regulations. Towards this the Institute has drawn up an India sustainability charter under the TERI, BSCD (Business Council for Sustainable Development) whose main objective is to pursue environmental improvements at the corporate level. Most progressive companies have adopted a formal sustainable agenda as an internal part of their business strategy in order to adhere to the legal requirements. Some of the reasons for adopting the green concept in the various business activities include the following:

- ❖ To acquire competitive advantage over other brands.
- ❖ To fulfill obligations towards the society through its corporate social responsibility initiatives.
- ❖ To succumb to growing governmental pressures with respect to the adherence to various regulations developed for a sustainable economy.

Cost issues associated with waste disposal and reductions are very high so companies have been forced to change their behaviour with respect to adoption of environmental friendly technologies. The companies who believed in going green with their business activities understood the need to put their corporate message across to the end consumer by adopting the concept of green marketing. The prime focus of this paper lies in understanding and exploring the trends, practices, technicalities and challenges associated with green marketing.

Conclusion

The concept of Green Marketing has existed ever since the 1970's but of late every body is talking about it; it could be a consumer, a marketer or an environmentalist. Green marketing focuses on satisfying the needs of the customer through products that have a less detrimental impact on the environment. The trend towards Green Marketing seems to be very promising for the development of economies across the globe because it works on lines that define sustainable development. Less diversified and smaller companies are still stuck up with concepts like recyclable or recycled but economically richer companies who believe in research and development are definitely making a difference by coming up with newer and better green concepts, products, slogans and promotional strategies. The economic gains for companies who are restructuring their processes to conform to their green policies would not acquire commendable economic gains in the short run but cost benefit analysis states that the economic future of companies who nourish creativity and innovation in their product concepts would be very promising.

Green marketing is still in its infancy. A lot of research is to be done to explore various opportunities and other possibilities. Profit is important for any firm to sustain. Adoption of green marketing in short run sometimes may

not be profitable but definitely firms will have competitive edge over others in the long run. Today's consumers are very much aware of environmental issues like global warming, climate change etc and ready to pay the premium for the environmentally friendly products and services. Companies need to create awareness of green marketing and its benefits. Industry-body, private body and consumer forum need to put pressure on the companies to practice green marketing. Government has also come out with various policy changes to make the firms more environmentally friendly. The time has come that firm must find out opportunity to enhance the products/services in terms of quality, performance, value in socially responsible and environmentally friendly way. Firms should look for environmentally friendly products and sustainable developments. In US and other developed nations already there is high awareness for green marketing but in other parts it is not the same. Fresh efforts need to be made to make all the people aware all over the world about the green marketing and its benefits. As green issues become important within markets, green marketing and the management of eco-performance need to transcend functional boundaries to become pan-organizational management concerns. This mirrors the way that quality slipped its functional bonds to become Total Quality Management (TQM). Indeed, for many companies the most practical way of addressing environmental issues has been through TQM. As social and environmental pressures on business grow, so marketers need to have an appreciation of, and input into, all aspects of a business, its products and its production system - 'Going Green' is the only "Answer".

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