



**Knowledge Consortium of Gujarat**  
 Department of Higher Education, Government of Gujarat  
**JOURNAL OF COMMERCE AND MANAGEMENT**  
**ISSN : 2279-025X**

Year-1 | Issue-5 | Continuous Issue-5 | March-April 2013

### Overview of Green Marketing

#### Abstract ::

*Times are tough for markets of branded products. Brand loyalty is near all time low and percentage of people who feel that some brands are worth paying more for is declining. In such tough competitive climate, environmentally, compatible companies would only survive. Today consumers are even more conscious than ever, as they prefer to purchase those products and packages that can be recycled or safely be disposed off. Today's consumer prefers eco-labeled products that are not only environmentally friendly but also ecologically safe. The reasons for such behavioural change among consumers are because they foresee things to get worse as no place of the globe will escape the by-products of Technological innovations, rapid industrialization and population growth. In fact industrial activities of the past half century have created serious ecological problem like global warming, ozone depletion, loss of biodiversity, natural resources scarcity, air pollution, acid rain, toxic wastes and industrial accidents. Marketers in this age are facing a new breed of environmental consumerism representing deep psychological and sociological shifts. Many marketers now grow their business by addressing the specific environmental issues most relevant to their consumers. In the process, they save money and enhance corporate and brand image while ensuring future sales for their products.*

**Key Words:** Significance, Marketing strategies, Marketing Challenges

#### INTRODUCTION

'I'll go out for a breath of fresh air' is an often-heard phrase. But how many of us realize that this has become irrelevant in today's world, because the quality of air in our cities is anything but fresh.

The moment you step out of house and are on the road you can actually see the air getting polluted; a cloud of smoke from the exhaust of a bus, car, or a scooter; smoke billowing from factory chimney; flyash, generated by thermal power plants and speeding cars causing dust to rise from the roads. Natural phenomena such as the eruption of a volcano and even someone smoking a cigarette can also cause air pollution.

Air pollution is aggravated because of four developments: increasing traffic, growing cities, rapid economic development and industrialization. The industrial Revolution in Europe in the 19th century saw the beginning of air pollution as we know it today, which has gradually become a global problem. Air pollution is nothing new. Ever since the discovery of fire, less-than-desirable substances have been vented into air. Every Govt. is trying to minimize this wide problem.

Although environmental issues influence all human activities, few academic disciplines have integrated green issues into their literature. This is especially true of marketing. As society becomes more concerned with the natural environment, businesses have begun to modify their behaviour in an attempt to address society's "new" concerns. Some businesses have been quick to accept concepts like environmental management systems and waste minimization and have integrated environmental issues into all organizational activities.

One business area where environmental issues have received a great deal of discussion in the popular and professional press is marketing. Terms like "Green Marketing" and "Environmental marketing" appear frequently in the popular press. Many governments around the world have become so concerned about green marketing activities that they have attempted to regulate them. For example, in the United State (US) the Federal Trade Commission and National Association of Attorneys-General

have developed extensive documents examining green marketing issues.

### **WHAT IS GREEN MARKETING**

As per According to American Marketing Association: "Green Marketing is the marketing of products that are presumed to be environmentally safe." Thus green marketing incorporates a broad range of activities, including a product modification, changes to the production process, packaging changes, as well as modifying advertising. Yet defining green marketing is not a simple task. Other similar terms used are Environmental Marketing and Ecological Marketing. The term green marketing came into prominence in the late 1980s and early 1990s. The American Marketing Association (AMA) held the first workshop on "Ecological Marketing" in 1975. The proceedings of this workshop resulted in one of the books on green marketing entitled "Ecological marketing".

Thus green marketing incorporates a broad range of activities, including product modification, changes to the production process, packing changes, as well as modifying advertising. Yet defining green marketing is not a simple task. Indeed the terminology used in this area has varied, it includes: Green Marketing, Environmental Marketing and Ecological Marketing.

"Green or Environmental Marketing consists of all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such that the satisfaction of these needs and wants occurs, with minimal detrimental impact on the natural environmental." This definition incorporates much of the traditional components of the marketing definition that is "All activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants."

### **SIGNIFICANCE OF GREEN MARKETING**

The question of why green marketing has increased in importance is quite simple and relies on the basic definition of Economics:

Economics is the study of how people use their limited resources to try to satisfy unlimited wants. Thus mankind has limited resources on the earth, with which she/he must attempt provide for the worlds' unlimited wants. In market societies where there is "freedom of choice", it has generally been accepted that individuals and organizations have the right to attempt to have their wants satisfied. As firms face limited natural resources, they must develop new or alternative ways of satisfying these unlimited wants. Ultimately green marketing looks at how marketing activities utilize these limited resources, while satisfying consumers wants, both of individuals and industry.

### **BENEFIT OF GREEN MARKETING**

Green marketing offers business bottom line incentives and top line growth possibilities. While modification of business or production processes may involve start-up costs, it will save money in the long-term. For example the cost of installing solar energy is an investment in future energy cost savings.

Companies that develop new and improved products and services with environmental impacts in mind give themselves access to new markets, substantially increase profits and enjoys competitive advantages cover those marketing non-environmentally responsible alternatives.

### **WHY ARE FIRMS USING GREEN MARKETING?**

When looking through the literature are several suggested reasons for increase use of Green Marketing. Five possible reasons cited are:

- Organizations perceive environmental marketing to be an opportunity that can be used to achieve its objective.
- Organizations believe they have a moral obligation to be more responsible.
- Governmental bodies are forcing firms to become more responsible
- Competitors' environmental activities pressure firms to change their environmental marketing activities.
- Cost factors associated with waste disposal or reductions in material usage forces firms to modify their behaviour.

## **MARKET OPPORTUNITIES**

In a 1992 study of 16 countries, more than 50% of consumers in each country, other than Singapore, indicated they were concerned about the environment. A 1994 study in Australia found that 84.6% of the sample believed all individuals had a responsibility to care for the environment. A further 80% of this sample indicated that they modified their behaviour, including their purchasing behaviour, due to environmental reasons. As demands change, many firms see these changes as an opportunity to be exploited.

Given these figures, it can be assumed that firms marketing goods with environmental characteristics will have a competitive advantage over firms marketing non-environmentally responsible alternatives. There are numerous examples of firms who have strived to become more environmentally responsible, in an attempt to better satisfy their consumer needs.

McDonald's replaced its clam shell packaging with waxed paper of increased consumer concern relating to polystyrene production and Ozone depletion.

Tuna manufacturers modified their fishing techniques because of the increased concern over definite fishing and the resulting death of dolphins.

Xerox introduced a "high quality" recycled photocopier paper in an attempt to satisfy the demands of firms for less environmentally harmful products.

This is not to imply that all firms who have undertaken environmental marketing activities actually improve their behaviour. In some cases firms have misled consumers in an attempt to gain market share. In other cases firms have jumped on the green bandwagon without considering the accuracy of their behaviour, their claims, or the effectiveness of their products. This lack of consideration of the true "greenness" of activities may result in firms making false or misleading green marketing claims.

## **SOCIAL RESPONSIBILITY**

Many firms are beginning to realize that they are members of the wider community and therefore must behave in an environmentally responsible fashion. This translates into firms that believe they must achieve environmental objectives as well as profit related objectives. This results in environmental issues being integrated into the firm's corporate culture. There are examples of firms adopting both strategies. Organizations like the Body Shop heavily promote the fact that they are environmentally responsible. While this behaviour is a competitive advantage, the firm was established specifically to offer consumer environmentally responsible alternatives to conventional cosmetic products. This philosophy is directly tied to the overall corporate culture, rather than simply being a competitive tool.

Fund managers and corporate developers too, are taking into account the environmental viability of the company they invest in. Venture Capitalists are investing in green business because they believe it's a growth opportunity. Britain based HSBC became the world's first bank to go carbon neutral late last year and is now turning its 11000 buildings in 76 countries worldwide into models of energy efficiency. "Our customers have told us that they decide where they shop based on whether the business is a good neighbor." Says David North, Tesco's community director.

As examples of a 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. While being concerned about the environment, Coke has not used this concern as a marketing tool. Thus many consumers may not realize that Coke is a very environmentally committed organization. Another firm who is very environmentally responsible but does not promote this fact, at least outside the organization, is Walt Disney World (WDW). WDW has an extensive waste management program and infrastructure in place, yet these facilities are not highlighted in their general tourist promotional activities.

## **GOVERNMENTAL PRESSURE**

As with all marketing related activities, governments want to "protect" consumers and society; this

protection has significant marketing implications. Governmental regulations relating to environmental marketing are designed to protect consumer in several ways, 1) reduce production of harmful goods or by-product:2) modify consumer and industry's use and/or consumption of harmful goods: or 3) ensure that all type of consumers have the ability to evaluate the environmental composition of goods. Governments establish regulations designed to control the amount of hazardous wastes produced by firms.

California's Republican Gov. Arnold Schwarzenegger met with British Labour Prime Minister Tony Blair to promote the idea of transatlantic carbon emissions market. He also wants to reduce his state's greenhouse gas emission to 80% below 1990 levels by 2050.

In Germany the Greens and the conservatives recently agreed to join forces to run the city govt. of Frankfurt, the first such coalition in country's history.

Many by-products of production are controlled through the issuing of various environmental licenses, thus modifying organizational behaviour. In some cases governments try to "induce" final consumer 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.

New Delhi, the India's capital was getting polluted gradually at a very fast pace till Supreme Court of India forced a change of fuel on it. In 2002, a directive was issued to completely adopt CNG in all public transport system to curb pollution.

One of the more recent publicized environmental regulations undertaken by governments has been the establishment of guidelines designed to "Control" green marketing claims. These regulations include the Australia Trade Practice Commission's (TPC) "Environmental Claims in Marketing - A Guideline, the US Federal Trade Commission's (FTC) "Guide for the Use of Environmental Marketing Claims" and the regulations suggested by the National Association of Attorneys-General. These regulations are all designed to ensure consumers have the appropriate information which would enable them to evaluate firm's environmental claims. In addition to these guidelines many States in the US have introduced legislation to control various environmental marketing activities.

Investment analysts are starting to see the environmental awareness of managers as a barometer of the likely long term success of their companies. Green policies, they say tend to indicate hands on managements high consumer confidence and good corporate governance. HSBC won't do deals with cos. on projects like oil pipelines through Russia, that don't measure up to their environmental, social and governance standards.

## **COMPETITIVE PRESSURE**

Another major force in the environmental marketing area has been firms' desire to maintain their competitive position. In many cases firms observe competitors promoting their environmental behaviour and attempt to emulate this behaviour. In some instance this competitive pressure has caused an entire industry to modify and thus reduce its detrimental environmental behaviour. For example, 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. In another example when one tuna manufacture stopped using driftnets the others followed suit.

## **COST OR PROFIT ISSUES**

Firms may also use green marketing in an attempt to address cost or profit related issues. Disposing of environmentally harmful by products, such as polychlorinated biphenyl (PCB) contaminated oil are becoming increasingly costly and in some cases difficult. Therefore firms that can reduce harmful wastes may incur substantial cost savings. When attempting to minimize waste, firms are often forced to re-examine their production processes. In these cases they often develop more effective production processes that not only reduce waste, but reduce the need for some raw materials. This serves as a double cost savings, since both waste and raw material are reduced.

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. One Australian example of this is a firm who produces acidic waste water as a by-product of production and sells it to a firm involved in neutralizing base materials.

## **GREEN MARKETING DOES LEAD TO SUCCESS**

Green marketing is not a theoretical concept only. A lot of firms are using this concept to consolidate their market positions. A few examples are...

- Tesco is pumping \$200mn into environmental technologies to reduce the amount of energy they use by 50% compared with 2000 levels by 2010. In addition to building 80 new eco stores across Britain over the next year the greenest of which will be constructed of recycled materials and will burn food waste for electricity they are also making small changes that could have big results. They are paying customers not to use plastic bags which they expect would but consumption by 25% in two years.
- Renewable Energy Corp., a Norwegian Solar energy company, had the world's largest ever renewable energy IPO in May.
- \$30 mn in what Goldman Sachs invested in Canadian alternative fuels company Logen. It was one of the several green ventures for ex-Goldman and Nature Conservancy head Henry Paulson, US Treasury secy.
- According to a recent report from the climate group, an international environmental charity, 43 multinationals including Bayer, Dupont saved a combined \$11.6 bn last year by improving energy efficiency, reducing waste output and harnessing solar power.
- GE's ECOIMAFINATION campaign to cut carbon emissions, partly by selling low emissions products ranging from power plants to fluorescent light bulbs have raked in \$10.1 bn last year up from \$6.2 bn in 2004.
- The World's two largest insurance cos. Swiss Re and Munich Re are now taking cos. policies on climate change into consideration when determining risks. Similarly In Japan about 800 cos. annually publish reports explaining how they plan to cut carbon emissions and make their products and factories greener.
- GE last month signed a deal of \$10bn with British Petroleum to develop hydrogen power plants that will capture carbon and bury it underground so it doesn't lead to global warming.
- Goldman Sachs has invested more than \$ 1bn in renewable energy sources, including bio-fuels.
- Markets are also beginning to recognize that cos. that do not do right by Mother Nature may have more volatile stock prices. Goldman Sachs' ESG (Environmental, Social and Governance) Index now ranks the world's largest cos. based on how environmentally friendly their operations are.
- Some of the Venture Capitalists who bankrolled the dot com boom of 1990s now see alternative forms of energy as next big thing. Vinod Khosla, the silicon valley venture capitalist who got big and early with Google and Amazon, is now betting \$50mn of his dot com cash on next generation ethanol.
- Venture Capital investment in renewable energy cos. was up 36% last year to a record \$73.9mn.
- The wilder Hill Clean Energy Index which charts 40 alternative energy firms has risen 485 since its 2004 debut.
- World's largest wind turbine energy firm, India's Suzlon Energy was 28 times oversubscribed when it launched for \$340 mn at the end of last year.
- Chinese Solar Company Suntech power raised \$ 400mn in December.
- Largest venture capital backed IPO in Europe last year of German Renewable Energy Company

## **PROBLMS WITH GOING GREEN**

No matter why a firm uses green marketing there are a number of potential problems that they must overcome. One of the main problems is that firms using green marketing must ensure that their activities are not misleading to consumers or industry and do not breach any of the regulations or laws dealing with environmental marketing. For example marketers in the US must ensure their green marketing claims can meet the following set of criteria, in order to comply with the FTC's guidelines. Green marketing claims must;

- Clearly state environmental benefits;

- Explain how benefits are achieved;
- Explain environmental characteristics;
- Ensure comparative differences are justified;
- Ensure negative factors are taken into consideration; and
- Only use meaningful terms and pictures

Another problem firms face is that those who modify their products due to increased consumer concern must contend with the fact that consumers' perceptions are sometimes not correct. Take for example the McDonald's case where it has replaced its clam shells with plastic coated paper. There is ongoing scientific debate which is more environmentally friendly. Some scientific evidence suggests that when taking a cradle-to-grave approach, polystyrene is less environmentally harmful. If this is the case McDonald's bowed to consumer pressure, yet has chosen the more environmentally harmful option.

When firms attempt to become socially responsible, they must face the risk that the environmentally responsible action of today will be found to be harmful in the future. Take for example the aerosol industry which has switched from CFCs (chlorofluorocarbons) to HFCs (hydro-fluorocarbons) only to be told HFCs are also a greenhouse gas. Some firms now use DME (dimethyl ether) as an aerosol propellant, which may also harm the ozone layer. Given the limited scientific knowledge at any point in time, it may be impossible for a firm to be certain they have made the correct environmental decision. This may explain why some firms, like Coca-Cola and Walt Disney World, are becoming socially responsible without publicizing the point. They may be protecting themselves from potential future negative backlash; if it is determined they made the wrong decision in the past.

While governmental regulation is designed to give consumers the opportunity to make better decisions or to motivate them to be more environmentally responsible, there is difficulty in establishing policies that will address all environmental issues. For example, guidelines developed to control environmental marketing address only a very narrow set of issues, i.e., the truthfulness of environmental marketing claims. If governments want to modify consumer behaviour they need to establish a different set of regulations. Thus governmental attempts to protect the environment may result in a proliferation of regulations and guidelines, with no one central controlling body.

Reacting to competitive pressures can cause all "followers" to make the same mistake as the "leader". A costly example of this was the Mobil Corporation who followed the competition and introduced "Biodegradable" plastic garbage bags. While technically these bags were biodegradable, the conditions under which they were disposed did not allow biodegradation to occur. Mobil was sued by several US states for using misleading advertising claims. Thus blindly following the competition can have costly ramifications.

The push to reduce costs or increase profits may not force firms to address the important issue of environmental degradation. End-of-pipe solutions may not actually reduce the waste but rather shift it around. While this may be beneficial, it does not necessarily address the larger environmental problem, though it may minimize its short term effects. Ultimately most waste produced will enter the waste stream, therefore to be environmentally responsible organizations should attempt to minimize their waste, rather than find "appropriate" use for it.

## **CONCLUSION**

Green marketing covers more than a firm's claims. While firms must bear much of the responsibility for environmental degradation, ultimately it is consumers who demand goods, and thus create environmental problems. One example of this is where McDonald's is often blamed for polluting the environment because much of their packaging finishes up as roadside waste. It must be remembered that it is the uncaring consumer who chooses to dispose of their waste in an inappropriate fashion.

Ultimately green marketing requires that consumers want a cleaner environment and are willing to "pay" for it, possibly through higher priced goods, modified individual lifestyles, or even governmental intervention. Until this occurs it will be difficult for firms alone to lead the green marketing revolution.

Having said this, it must not be forgotten that the industrial buyer also has the ability to pressure suppliers to modify their activities. Thus an environmentally committed organization may not only

produce goods that have reduced their detrimental impact on the environment, they may also be able to pressure their suppliers to behave in a more environmentally "responsible" fashion. Final consumers and industrial buyers also have the ability to pressure organizations to integrate the environmental impact of their activities.

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