INTERNATIONAL JOURNAL OF BUSINESS, MANAGEMENT AND ALLIED SCIENCES (IJBMAS)
A Peer Reviewed International Research Journal
www.ijbmas.in
ISSN: 2349-4638
Vol.5. Issue.S2.2018 (Nov)

GREEN MARKETING

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Abstract

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 the 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 a factory chimney, fly ash 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. For example: the pleasure of celebrating festivals like Diwali causes more pollution in a single day throughout India in this view the Honorable Supreme Court advised all the states to minimize the celebration time to reduce the pollution . 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 the air. Every Govt. is trying to minimize this problem. But regardless of the efforts, air pollution continues to be a serious local and world-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 behavior 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.

INTRODUCTION

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 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 first books on green marketing entitled "Ecological Marketing"

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WHY IS GREEN MARKETING IMPORTANT

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 to 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.

BENEFITS 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 enjoy competitive advantages over those marketing non-environmentally responsible alternatives.

WHY ARE FIRMS USING GREEN MARKETING?

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

1. Organizations perceive environmental marketing to be an opportunity that can be used to achieve its objectives.
2. Organizations believe they have a moral obligation to be more socially responsible.
3. Governmental bodies are forcing firms to become more responsible.
4. Competitors' environmental activities pressure firms to change their environmental marketing activities.
5. Cost factors associated with waste disposal, or reductions in material usage forces firms to modify their behavior.

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 had modified their behavior, including their purchasing behavior, 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 because of increased consumer concern relating to polystyrene production and Ozone depletion.

* **Tuna manufacturers** modified their fishing techniques because of the increased concern over driftnet 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 behavior. 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 behavior, 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 consumers environmentally responsible alternatives to conventional cosmetic products. This philosophy is directly tied to the overall corporate culture, rather than simply being a competitive tool.

GOVERNMENTAL PRESSURE

As with all marketing related activities, governments want to "protect" consumers and society; this protection has significant green marketing implications. Governmental regulations relating to environmental marketing are designed to protect consumers in several ways, 1) reduce production of harmful goods or by-products; 2) modify consumer and industry's use and/or consumption of harmful goods; or 3) ensure that all types 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.

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 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.

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 systems 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 *Australian Trade Practices Commission's (TPC)* "Environmental Claims in Marketing - A Guideline , the US Federal Trade Commission's (FTC) "Guides 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 management, 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 behaviors and attempt to emulate this behavior. In some instances this competitive pressure has caused an entire industry to modify and thus reduce its detrimental environmental behavior. 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.

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 $200 mn 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 cut consumption by 25% in two years.
- $30 mn is 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, and 43 multinationals –including **Bayer, DuPont** –saved a combined $11.6 bn last year by improving energy efficiency, reducing waste output and harnessing solar power.
- 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 $10 BN 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 biofuels
- 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 PROBLEMS 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 environmental characteristics;
* Explain how benefits are achieved;
* 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 may 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 behavior 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 affects. 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" uses for it.

CONCLUSION

Green marketing covers more than a firm's marketing 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 disposes 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 environmental 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 environment into their corporate culture and thus ensure all organizations minimize the detrimental environmental impact of their activities.

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