CHAPTER- 3 Green Marketing and Its relevance in the Present Scenario

3.1 Moving Towards Eco-Marketing Orientation

Marketing scholars suggests that the movement from production to selling and ultimately to the marketing orientation is typically progressive in nature, starting with production orientation and ending with the marketing orientation[29] Kotler (1988) suggests that all business orientations compete for dominance within the organization, implying that typically firms adopt only one of the competing orientations, as their primary orientation.[30] Production Orientation is internally focused. Cost reductions, increases in production and logistical efficiencies are of foremost importance to a firm that is production oriented. (Cravens, Hills and Woodruff. (1987)[31]

Sales orientation implies an external focus directed toward increasing sales volume (Zikmund and D'Amico, 1986)[32]. It emphasizes on promotional measures to increase the sales.

Organizations with Marketing-orientation focuses on twin organizational goals i.e. customer satisfaction and profit maximization. McCarthy and Perreault (1984) propose that well-managed firms have tended to adopt marketing orientation as the dominant underlying business philosophy. The adoption of a marketing orientation by well - managed firms suggest that the marketing orientation is considered the current "state of the art" business philosophy.[33]

Entrepreneurial-oriented firm's major focus is to innovate and to exploit the environmental opportunities available, willingness to take the risk for higher rewards. In a 1989 empirical study of the furniture industry, Miles and Arnold (1991) found support for the proposition that an entrepreneurial orientation is indeed a unique fourth business orientation, and not an extension of the marketing orientation.[34]

However, due to consumer's increased ecological awareness, many firms are attempting to meet latent and long term consumer needs by adopting more ecologically friendly and socially responsive approach to product development, manufacturing, packaging, distribution and promotion. This attempt to meet latent or future consumer needs by marketing management (Kotler,1973) can be conceptualized as an extension of the marketing orientation augmented by: (1) Innovation, (2) Adaptation and 3) A strong social and ecological conscious.[35]

The adoption of an eco-marketing orientation by a firm is principally a response to the increased pressure by the society for business to meet its comprehensive and ethical and moral responsibilities, while adhering to the marketing concepts' basic tenants as suggested by McCarthy and Perreault (1984) of meeting customer needs at a profit. In addition, an eco-marketing orientation may provide the organization with a strategic competitive advantage in both domestic and international markets.[36]

Studies indicate that during the 1960's green consumerism emerged and slowly and gradually greener business trends took place world over. Marketing practices and business orientation have started shifting their attention from consumer satisfaction and profitability to consumer satisfaction, profitability & environmental protection. Some visionary organizations took a lead in practicing green marketing. They understood consumer's growing concern for environment, changing preferences for green products and they successfully exploited it as a new business opportunity.

Top managers of companies like American Airlines, Bell Atlantic, and Coca-Cola have made buying recycled products and investing in green Research and Development a part of their overall business strategies. They have cut down on waste, increased profit margins and truly closed the recycling loop in some cases. (David Biddle 1993)[37]

3.2 Concept of Green Marketing

Ottman and Peattic (1992) first coined the term Green Marketing. It is also known as "Sustainable Marketing" or "Environmental Marketing" or "Ecological Marketing". It addresses ways and means for reconciling economic and ecological factors through reinvented products and product systems.[38]
This calls for allocating resources, designing products, creating systems which bring compatibility between economic and ecological factors.

Green marketing includes ecologically safer products, recyclable and biodegradable packaging, energy-efficient operations and better pollution controls. Contributions made by green marketing include packaging made from recycled paper, phosphate-free detergents, refillable container for cleaning product and bottles using less plastic.[39]

According to Henion and Kinnear, "Ecological marketing is concerned with all marketing activities: 1) that served to help cause environmental problems, and (2) that may serve to provide a remedy for environmental problems. Thus, ecological marketing is the study of positive and negative aspects of marketing activities on pollution, energy depletion and non-energy resource depletion" (Henion and Kinnear, 1976). [40]

Here ecological marketing is a sub part of the marketing activity where marketing activities and its impact are critically evaluated with reference to environment, energy used, and resources used.

Polonsky (1994b) defined Green or Environmental Marketing as it 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 environment.[41]

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" (Stanton and Futrell, 1987).[42] Interests of the organization and all its consumers are for protection of the natural environment. Here it

is important to note that in this exchange process efforts are made to minimize the negative impact on environment. Further green marketing should be aimed at minimizing environmental damage as always elimination of the same is not possible.

However, according to Pickett, Kangud Grove (2004), simply developing environmentally sound products is not a sufficient means to serve the "green" market segment, much less those who are not yet among it. Effective positioning and communication strategies also need to be employed.[43]

According to Sheth and Parvatiyar (2004), consumer sensitivity to environmental issues does not always translate into purchase behavior. It is the responsibility of marketers to use their communication and promotional tools to convert this latent desire for environmental quality of life into actions and activities that actually promote such environmental quality of life.[44] Thus, role of marketing communications and promotional activities is crucial to convert this latent desires into demand for green products.

Jacquelyn A. Ottoman defines Green Marketing as "Communicating the benefits of environmentally sound products, services, or even corporations so as to differentiate them from competition."[45]

According to Kotler, (1988) the eco-marketing orientation could be conceptually decomposed into four components of the marketing orientation, augmented by both explicit concern for ecologically and socially responsible business and consumer behavior and the innovative and environmental adaptive characteristics of the entrepreneurial orientation. Dimensions of the proposed eco-marketing orientation would include: (1) a market focus, (2) an obsession with both known and latent customer needs, (3) integrated and coordinated marketing throughout the entire organization (4) Focus on long term profitability, (5) an explicit concern for the ecological and social aspects of all business activities and decisions, and (6) a proclivity to innovate and adapt to exploit environmental opportunities.[46]

Thus, in a nutshell, Green Marketing may be defined as the process of planning, implementation 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.
3. The process is compatible with the ecosystems (reduce eco-costs and serve the long term well being of the society).[47]

It is important to note here that practicing Green Marketing is not all about corporate altruism. Delivering *customer satisfaction* and attaining *organizational goals* are absolutely necessary conditions, along with achieving *environmental compatibility*. Therefore, the challenge lies in developing sustainable innovations which are commercially feasible, so that customer benefits can be delivered, organizational goals can be achieved while leaving no discernable environmental footprint on the planet.

Green products must be designed by using fewer resources, should be potentially strong against its competitors and must deliver benefits sought by the customers, thereby reducing burden on ecosystems.

The above discussion clearly shows that Green Marketing is an extension of current marketing management practices and includes ecosystems to the list of external factors that influences marketing decision making. Marketers will have to consider the environment as an important element of external environment and the external environment scanning must be done and products must be designed which are compatible with the ecosystem.

3.3 Green Marketing Mix Elements

Traditional marketing focuses on customer benefits and accordingly product attributes are incorporated. Against this in green marketing, while designing a product, ecological attributes are also considered and given due weight age. Similarly, in conventional marketing channel design, decisions focus on creating a time and place utility, while in

case of green marketing, the objective is to minimize the waste and environmental damage in the process of transportation, storage and handling of the goods.

Further, in traditional marketing, promotional objectives are educating consumers or creating awareness about the functional or emotional benefits of the products. Against this, in the case of green marketing, the objective is to persuade the consumers to buy ecologically sound products and to inculcate the habit of participating in practices of reuse and refilling of products.

Pricing includes costs of all resources used for making the product. In traditional marketing, there are no separate ways to allocate/identify eco-costs whereas in green marketing, product prices do reflect the inclusion of eco-cost in the cost structure .In simple words, green marketing means employing "green factor" while designing a product, pricing, place, and promotion or packaging strategies.

One word of caution for green marketers is that a product must perform what it claims. There can be either a niche market or a mass market for a given product, but claims should be genuine. Product must deliver green benefits of either minimization of environmental damage or protection to environment. Mere claims about a product and just creating hype about the product will not fetch results for the company.

Green marketing represents two-dimensional shift in the marketing orientation.

1) Shaping customer needs and expectations
2) To provide right product choices to the customers having power to satisfy their needs.

It calls for redirecting needs and wants of the target market towards environmentally safe products and developing products which can satisfy the target market needs with minimum environmental damage. Hence, the marketer will first have to identify current consumption/usage options of the customers, the most significant criteria being used by the customer to buy the product and the sources of influence which shapes and reshapes the consumer behavior. Once this is known, marketing communication and advertising becomes most important tools to influence consumer preferences and bring desirable behavioral changes in consumption choice.

But it is important to note here that, it is indeed a challenge before the organizations, to grow the firm and its business economically and to keep the environment protected simultaneously. In fact, along with organizations, govt. intervention is also very essential to guide the market towards the march for sound production and consumption practices especially in markets where environmental concern of the customers is relatively less.

3.4 Success Stories of brands/organizations which adopted green marketing

The Body Shop

Anita Roddick established the Body Shop on March 27, 1976, in Brighton, England to sell all-natural personal care products.
Both Anita and her husband, Gordon Roddick, have eco centric values and these values are reflected in all major functions such as product design, production, waste management and policies of the organization. Body Shop has adopted an innovative business strategy of making products

Her vision of beauty as vivaciousness, energy, commitment and self-esteem is the basis of a fundamentally different and innovative organizational form. The basic strategy is to make business choices on moral grounds. Doing ethical business of all-natural products without advertising and with franchised body shop of minimal formal structure is noticeable apart from responsibility factor of the company's culture.

INNOVATIVE BUSINESS STRATEGIES

1) DEVELOPING PRODUCTS USING NATURAL INGREDIENTS:

The Body Shop makes its own skin and hair related products. Every product has only renewable natural ingredients taken from plants, herbs, fruits, flower, seeds, nuts, oils, soils, water and juices. The Anthropology, Research and Development Department studies skin and hair care rituals of other cultures, such as the

Kayapo Indians in the Amazon rain forest and the hill tribes of the Humla region in Nepal. Anita Roddick travels to these remote destinations to try out new products and indentify local suppliers.

2) PRODUCT TESTING:

Unlike most cosmetics companies, the Body Shop actively opposes and campaigns against animal testing. It has also developed safe and humane alternatives to animal testing. All raw materials are microbiologically tested. New products are tested by volunteer members of The Body Shop. After in-house test at the company's Product Evaluations Clinic and then independent test at the University of Wales Laboratories decision to market the product is taken.

3) PRODUCT PACKAGING:

At Body Shop, customers are encouraged to refill existing containers by offering a 25-cent discount on each refill. Further, all plastic bottles used for packaging have recycling identification. The company uses recycled paper to print all company stationery, brochures, profiles, broadsheets, leaflets and posters, thus saving the raw material requirement of the company.

PROCTER & GAMBLE INCORPORATION

- P & G is one of the largest manufactures in FMCG sector. It produces personal care and health care products, food and beverages, laundry & detergents, and chemicals. Some popular brands of P & G are Folger's coffee, Tide, Cheer, and Cascade detergents, Vover Girl cosmetics, and Oil of Olay. P&G drafted its environmental quality policy and mission statement in the year 1989 as part of its commitment towards environment and to fulfill its responsibilities, it prepared policy guidelines which includes:
- To ensure its products, packaging and operations are safe for their employees, consumers and the environment.

- Reduce or prevent the environmental impact of its products and packaging in their design, manufacture, distribution, use and disposal whenever possible.

In the 1990's, P&G had to face new challenges as consumers' concern for environment started growing, they looked for better values in a highly competitive market.
P&G's answer to these challenges was "Total Systems Approach" to greening. It examined environmental issues while using natural resources, product designs, packaging, production, transportation, and waste management. Then it designed and implemented changes in all parts of its system. Its objective is to move toward long-term ecological sustainability.

ENVIRONMENTAL CONCERN & INITIATIVES AT P&G

Research suggested that phosphate removal efforts from detergents alone will not contribute significantly to clean the nation's water supply. Therefore by 1973, P&G invested $130 million in phosphate research. It also developed a phosphate-free detergent and thus, taken initiative in designing green products in the market.

This enterprising pursuit of P&G to bring environmental solutions was also reflected in P&G's packaging strategies. The company spends more than $1.4 billion in packaging every year. This huge volume of packaging offered the company great scope for improving its environmental performance. It adopted Eco friendly packaging system which resulted in reduction of transportation costs and in the use of fossil fuels for transport.

In Europe, during the mid 80's when German consumers showed strong concern about municipal solid waste, P&G responded to this challenge with the innovative package which eliminated the need to discard large four-gallon bottle. This success spurred the company to redesign its other products and packages. Further, it has designed Total Quality Environmental Management (TQEM) system which guides entire corporation to plan and implement various programmes of environmental management.

MINIMISING NATURAL RESOURCES:

P&G strives continuously to reduce the amount of natural resources used. It developed a technology that replaced a significant amount of the wood pulp in disposable diapers with a super absorbent gel. Now these new diapers weigh less, cost less to transport and require less land fill space.

P&G has also joined hands with number of outside groups for the cause of preserving and protecting forests and wild lands. It invested $30 million into pollution control and remediation equipment to eliminate industrial pollution from the river.

ENERGY CONSERVATION:

Since the oil crisis in the 1970s, P&G designed programmes targeted to two of its most energy intensive products i.e. paper and dry detergents. Waste pulp from paper mills is converted into pellets and burned as fuel. In another effort to conserve energy, P&G uses co-generation to generate energy and reuse the steam for heating. Burning waste products is another source of energy for several P&G plants. These programs have reduced energy costs from 4 to 2 percent of production costs.

INFLUENCING THE BUYER:

P&G believes that long-term solutions to environmental problems must include changes in customers' habits. In conjunction with retailers, the company established the "Keep America Beautiful" and "Let's Not Waste the 90s" programs. Using customer education and buying incentives (discounts), these programs encourage customers to recycle and reduce wastes.

THE VOLVO CAR COMPANY

Volvo is a large, diversified, international company, manufacturing cars, trucks, and engineering goods. In 1992, it had whooping revenue of $11.86 billion and nearly 60,000 employees. The Volvo Car Company tries to manage its environment related problems

like air pollution, use of scarce oil and scrap wastes in a systematic and integrated way. It has added element of environment to its strategy. Volvo is now making cars which are environment friendly, fuel efficient and which makes a good business sense as well.

VOLVO'S ENVIRONMENTAL POLICY PLEDGES TO:

1. Develop and market products that deliver superior efficiency and contain environmental properties.
2. Adoption of manufacturing processes that has minimum negative impact on the environment.
3. Undertaking research and development in the field of environment.
4. Choosing environmentally compatible and recyclable materials for developing and manufacturing products.
5. Continuously strive to attain worldwide environmental standard for processes and products.

THE ENVIRONMENTAL CONCEPT CAR

Volvo has developed a unique product, the Volvo Environmental Concept Car (ECC). Its design objective was to minimize the total environmental effects of production, operation, and eventual destruction. The Volvo ECC is a hybrid car that runs on both electric motors and gas-turbine engine. It can operate on all currents from 170 to 330 volts in single-phase or three-phase systems.

GREEN JAPAN INCORPORATION

Highly industrialized Japan was facing severe pollution and congestion problems. For example, mercury poisoning of the Minamata Bay by effluents from the Chisso Chemical Company plant resulted in death and injury to thousands of people. The country's refusal to ban ivory products and thereby protect the African elephant was widely criticized. It continued to use ecologically harmful dragnet fishing and its urban air, rivers and land were highly polluted.

For more than past 20 years Japan struggled to improve its environment. In the process it enacted many stringent laws, developed new technologies and established new approaches to pollution control. It made great progress in the 1970's in cleaning up urban pollution and improving energy efficiency. Now "Green Japan Inc." is leveraging its rich pollution control experiences, huge investment capacity, technical know-how and innovative managerial skills to develop a global environmental strategy.

CONVERTING PROBLEMS INTO OPPORTUNITIES:

In Japan, technology based industrialization is considered as the sole option to drive economic growth. To Japan, pollution results from imperfect technologies. Therefore, new and advanced technologies are the answers to these problems. Hence, environmental pollution is a technological problem on one hand and it also offers a market opportunity on the other hand.

Japan's strategy is to target the huge emerging market for pollution control and hazard management technologies. It is developing pollution control equipments and hardware for industries such as steel, waste incineration, waste water treatment, treatment of flue gases, alternative energy, and automobiles. Japan is spending about $4 billion a year to broaden its already existing edge in environmental technologies over the United States and Europe.

TECHNOLOGICAL INNOVATIONS

There are numerous examples where Japanese companies gained competitive advantage and made whopping profits by controlling pollution. For example as cited by *Shrivastava* Japanese steel industry is responsible for 2.5% of greenhouse gas emissions. It has slashed energy consumption per ton of steel by 20% since 1975. In auto industry also, Japanese players likes Honda and Mitsubishi developed "lean burn" engines for cars that can travel up to 100 miles on a gallon of gas. Similarly, The Tokyo Electric Power Company unveiled the highest performing electric car in existence. It can drive for 340 miles at 25mph on a single battery, and can reach a maximum speed of 109 mph.[48]

Sanyo, Sharp and Matsushita are global leaders in marketing solar batteries. Matsushita commercialized the fist mercury-free alkaline battery.[49]
Japan has also developed a very effective solid waste management programme. Its nationwide solid-waste recycling program claims to recycle 35 percent of wastes, far more than in the United States, where the figure is about 7 percent.

For Air pollution control, auto manufacturers in Japan are developing high-efficiency catalytic converters and fuel-efficient engines that release much less carbon dioxide than current models. Aggressive research and development work is being undertaken with genetically engineered microorganisms to reduce excess carbon dioxide from the atmosphere.

INNOVATIVE WAYS FOR RISK SHARING

As a high degree of risk is involved in environmental business, Japan innovated several organizational arrangements for distributing risks among various companies. It includes mainly joint ventures with foreign firms, partnership with government agencies such as MITI and the creation of technology consortiums.

In the market related to pollution control solutions, U.S. government agencies (municipal, state, and federal) are big buyers. Tie-ups with U.S. companies provide competitive advantage to Japanese manufacturers. It is important to note here that the tradition of government business partnership has given Japanese companies an edge over others in many industries which include steel, consumer electronics, automobiles, computers etc.

A third organizational innovation used by Japanese companies is the creation of technology consortiums to generate the expensive new technologies needed for environmental management. Group of companies in a consortium jointly fund the basic research and share research results. These cuts down the time required for technological inventions and reduce the financial risk for individual companies.
The above stories definitely proves that adoption of green marketing strategies have brought success for them. Here it is important to note that by exploiting this new

business opportunities, organizations have enjoyed competitive advantage in the industry. Either you introduce innovation or do product differentiation, design green advertising or go for green packaging. It definitely brings an advantage over rivals and makes good business sense.

3.5 Carbon Credit as a New Business Opportunity for Electric two-wheeler makers

The phenomenon of global warming and the Kyoto Protocol presents enormous business opportunity for developing nations like India.

To resolve global warming, the Kyoto Protocol divides nations into two: developed countries and developing countries. The developed countries have been imposed emission limits. The target agreed upon was an average reduction of 5.2% from the 1990 level by 2012. On the other hand, the developing countries are to invest and encourage projects that help to lower emissions in their respective territories and earn carbon credit for their efforts. Now these carbon credits can be sold to organizations in the developed countries.

Carbon credit is a system evolved to clean the environment. It is termed as certified emission reductions (CERs). CERs are issued by the executive board of the clean development mechanism (CDM) for emission reductions under the Kyoto Protocol.

The Kyoto Protocol is an international agreement linked to the United Nations Framework Convention on Climate Change. The major feature of the Kyoto Protocol is that it sets binding targets for 37 industrialized countries and the European community for reducing greenhouse gas (GHG) emissions .These amount to an average of five per cent against 1990 levels over the five-year period 2008-2012.

The Kyoto Protocol was adopted in Kyoto, Japan, on 11 December 1997 and entered into force on 16 February 2005.

Under the Treaty, countries must meet their targets primarily through national measures. However, the Kyoto Protocol offers them an additional means of meeting their targets by way of three market-based mechanisms.

The Kyoto mechanisms are:

- Emissions trading – known as "the carbon market"
- Clean development mechanism (CDM)
- Joint implementation (JI).

The mechanisms help stimulate green investment and help Parties meet their emission targets in a cost-effective way.

Now, if we take a case of electric vehicles, its demand is robust with governments all over the world promoting electric vehicles. The US has granted US$ 2.4 billion for development of electric vehicle and has set a target of one million environment friendly vehicles on the US roads by 2015.

In India, also few electric two-wheeler manufacturers are likely to benefit through carbon credits for reducing CO_2 emissions through sales of green vehicles.

Let's take one hypothetical situation to understand how carbon credits can be earned.

Suppose:

Average usage per two-wheeler per annum = 10,000 km.
Average mileage = 50 km. per liter of petrol
Usage of petrol by one two-wheeler per annum = 200 liters of petrol
Now, 1 liter petrol emits on an average 2.5 kg. Carbon dioxide
Hence, 500 kg. of carbon dioxide is emitted in the atmosphere by one two-wheeler annually.
Now, imagine what will happen in one more year?
Increase in petrol usage as it is estimated that approximately 1 crore new two-wheelers will be sold in 2010-11!!!

Thus, it is an alarming situation for India as far as pollution is concerned. This problem can be turned into opportunity by making battery-operated two wheeler with right features which can fetch huge funds to the manufacturers.

Four major electric two-wheeler makers in the country, Hero Electric, a 100% subsidiary of Hero Group, Delhi-based Lohia Automobiles, Ahamedabad-based Electrotherm and Bangalore-based Eko Vehicles are in the process of registering themselves with United Nation Framework Convention on Climate Change (UNFCCC), a global governing body that is involved in reducing carbon emissions worldwide.

Transport sector accounts for a significant share of the world's greenhouse gas emissions (GHGs). Projects which reduce GHGs in the transport sector can be matched with innovative finance mechanisms, said, Grutter Consulting executive director Rohini Balasubramaniam. In fact, very soon Eko Vehicles will be entitled to $4 million worth carbon credits, and each of these electric two-wheeler makers have chance to earn carbon credits in the range of $4 million to $6 million.

To conclude, we can say that few years ago, the green consumer segment was a tiny market niche. Today it is emerging as a mainstream trend in many consumer goods industries. Customers are demanding green products and environmental friendly packaging. Some consumers are willing to pay even premium price for environmentally sound products and they are seeking more information about contents, use, disposal and recyclability. As a result, hundreds of new and reformulated green products are now in the market, along with dozens of green consumer guides to evaluate them and organization like Green Seal and Blue angel to certify them.

Here it is important to note that by exploiting this new business opportunity, organizations can fetch handsome money and can reinvest in the business.