

Green Marketing and its impact on consumer behavior

Syeda Shazia Bukhari

SMVD University, Katra, J&K, INDIA, 182301

Email- shaziabukharia@rediffmail.com

Abstract

Environment friendly, so called green marketing has become a discussed subject and companies are constantly trying to find the best ways to reach the customers with their green message. Customers are becoming more demanding and they have started to pay more attention to the environment. What is important with brands is how customers perceive them, what the image of the brand is. The aim of this study is to find out how consumer behavior is influenced by Green Marketing by Companies. The research study took place in Udhampur district in Jammu & Kashmir, during the spring 2011. A questionnaire was designed in order to find out how people perceive Green marketing and how aware they are of the “environmental contribution” that is being made by the companies. The question we wanted to find a respond to where “Whether the purchasing behavior of consumers is affected if companies go green?” The results from this illustrates that companies need to increase their communication with the customers on going green, and that attributes like price and quality are more important than “environmental responsibility”.

Keywords: Green Marketing, Consumer Behavior , Marketing Mix

1. Introduction

According to the American Marketing Association, **green marketing** is the marketing of products that are presumed to be environmentally safe.^[1] 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 where several meanings intersect and contradict each other; an example of this will be the existence of varying social, environmental and retail definitions attached to this term.^[1] Other similar terms used are Environmental Marketing and Ecological Marketing.

Green marketing refers to the process of selling products and/or services based on their environmental benefits. Such a product or service may be environmentally friendly in it or produced and/or packaged in an environmentally friendly way.

The obvious assumption of green marketing is that potential consumers will view a product or service's "greenness" as a benefit and base their buying decision accordingly. The not-so-obvious assumption of green marketing is that consumers will be willing to pay more for green products than they would for a less-green comparable alternative product - an assumption that, in my opinion, has not been proven conclusively.

While green marketing is growing greatly as increasing numbers of consumers are willing to back their environmental consciousnesses with their rupees, it can be dangerous. The public tends to be skeptical of green claims to begin with and companies can seriously damage their brands and their sales if a green claim is discovered to be false or contradicted by a company's other products or practices. Presenting a product or service as green when it's not is called green washing.

1.1. Three keys to successful green marketing

Show potential customers that you follow green business practices and you could reap more green on your bottom line. Green Marketing isn't just a catchphrase; it's a marketing strategy that can help you get more customers and make more money. But only if you do it right.

For green marketing to be effective, you have to do three things; be genuine, educate your customers, and give them the opportunity to participate.

1.1.1) Being genuine means that a) that you are actually doing what you claim to be doing in your green marketing campaign and b) that the rest of your business policies are consistent with whatever you are doing that's environmentally friendly. Both these conditions have to be met for your business to establish the kind of environmental credentials that will allow a green marketing campaign to succeed.

1.1.2) Educating your customers isn't just a matter of letting people know you're doing whatever you're doing to protect the environment, but also a matter of letting them know why it matters. Otherwise, for a significant portion of your target market, it's a case of "So what?" and your green marketing campaign goes nowhere.

1.1.3) Giving your customers an opportunity to participate means personalizing the benefits of your environmentally friendly actions, normally through letting the customer take part in positive environmental action.

2. Evolution of Green Marketing

The green marketing has evolved over a period of time. According to Peattie (2001), the evolution of green marketing has three phases. First phase was termed as "Ecological" green marketing, and during this period all marketing activities were concerned to help environment problems and provide remedies for environmental problems. Second phase was "Environmental" green marketing and the focus shifted on clean technology that involved designing of innovative new products, which take care of pollution and waste issues. Third phase was "Sustainable" green marketing. It came into prominence in the late 1990s and early 2000.

3. Why Green Marketing?

As resources are limited and human wants are unlimited, it is important for the marketers to utilize the resources efficiently without waste as well as to achieve the organization's objective. So green marketing is inevitable. There is growing interest among the consumers all over the world regarding protection of environment. Worldwide evidence indicates people are concerned about the environment and are changing their behavior. As a result of this, green marketing has emerged which speaks for growing market for sustainable and socially responsible products and services.

4. Benefits of Green Marketing

Companies that develop new and improved products and services with environment inputs in mind give themselves access to new markets, increase their profit sustainability, and enjoy a competitive advantage over the companies which are not concerned for the environment.

5. Adoption of Green Marketing

There are basically five reasons for which a marketer should go for the adoption of green marketing. They are -

5.1. Opportunities or competitive advantage

5.2. Corporate social responsibilities (CSR)

5.3. Government pressure

5.4. Competitive pressure

5.5. Cost or profit issues

6. Literature Review –

A study by Peter Kangis (1992), proposes that the challenges both for marketing specialists and for consumers, raised by the concept of green marketing, are due to several issues, such as the lack of an acceptable definition for green marketing, the absence of a clear understanding of cause-and-effect relationships in matters affecting the environment, and the overt and covert reasons for concern about such issues. Suggested that, in the hands of unscrupulous marketers, green marketing can turn into green gold.

An important study by Vasanthkumar N. Bhat (1993) suggests since inputs, manufacturing processes, distribution, use and disposal methods are decided during the design stage, any company venturing out with a green marketing program must start with green design. Presents source reduction and waste management strategies to cut down wastes, and also presents a method to compare green design alternatives which can provide designers with guidance to select superior designs. As a product must meet several criteria, suggests a concurrent rather than sequential product development approach. Concludes with tips for top management to improve green design in their organizations.

Another study by John Grant (2008) aims to look at how companies obtain a greener strategy and what is the future of green marketing.

A study by Elham Rahbar (et al , 2011) proposes to determine the effect of green marketing tools on consumer's actual purchase behavior in case of Penang (Malaysia). A survey was carried out on 250 Chinese, Malay, Indian and other races that represent the Penang population. Factor analysis, Cronbach alpha and multiple regression were used to identify factors impact on Penang consumers actual purchase behavior. The result revealed that customer's trust in eco-label and eco-brand and their perception of eco-brand show positive and significant impact on their actual purchase behavior.

7. Justification of the Research-

Green marketing is very essential for the sustainability of an organization these days. As is revealed from the literature review there is a lot of gap in research on this topic .Also in India not much work is done as far as the influence of green marketing on consumer behavior is concerned , so this paper is trying to address this issue by taking the study done by Elham Rahbar (et al,2011) in Malaysia by replicating some aspects of it in India .

8. Objectives-

8.1. To establish a relationship between consumer purchasing decision and green marketing.

8.2. To develop a green marketing mix for consumers.

8.3 To highlight the challenges being faced by companies pursuing green marketing.

9. Hypothesis-

The purchase behavior of buyers is not influenced by green marketing practices of organisations.

10. Research Methodology-

10.1. Data Sources-

Primary data was collected through questionnaires. The questionnaire contained 14 items ,asking questions like your purchase decision is affected by green marketing activities of the company, repurchase decision is affected or not, how much extra you are ready to pay etc. Likert scale was used in most of the questions.

10.2. Research Tools-

The data accumulated from the various authentic sources (primary) was subjected to various statistical tools for verification and interpretations, such as, Descriptive Statistics(Mean, Standard Deviation and Percentile) were used to have a understanding on the basis of the respondents group. The data once collected was analysed by using the Statistical package for Social Sciences (SPSS).The tests used for analysis were independent t-test, multiple regression analysis and binary logistic regression analysis.

10.3. Sample Size-

A Random sampling strategy was carried out. A survey of about 50 consumers belonging to Udhampur district of Jammu region was done .

11. Statistics obtained from data analysis-

The data was obtained from questionnaire adopting Likert Scale from 1 to 5 where 1 stands for strongly agree and 5 stands for strongly disagree. The questions asked were like would you desire green products, would you pay extra for them, is your purchasing decision affected by green marketing etc. The obtained was analysed through SPSS . The interpretation is given in the tables and they reflect that though the consumers are environment conscious but it does not affect their purchasing decision. They still give importance to price and quality of the product. The t-test applied accepted the hypothesis.

12. Green Marketing Mix-

Every company has its own favorite marketing mix. Some have 4 P's and some have 7 P's of marketing mix. The 4 P's of green marketing are that of a conventional marketing but the challenge before marketers is to use 4 P's in an innovative manner.

12.1. Product-

The ecological objectives in planning products are to reduce resource consumption and pollution and to increase conservation of scarce resources (Keller man, 1978).

12.2. Price-

Price is a critical and important factor of green marketing mix. Most consumers will only be prepared to pay additional value if there is a perception of extra product value. This value may be improved performance, function, design, visual appeal, or taste. Green marketing should take all these facts into consideration while charging a premium price.

12.3. Promotion-

There are three types of green advertising: -

12.3.1. Ads that address a relationship between a product/service and the biophysical environment

12.3.2. Those that promote a green lifestyle by highlighting a product or service

12.3.3. Ads that present a corporate image of environmental responsibility

12.4.Place-

The choice of where and when to make a product available will have significant impact on the customers. Very few customers will go out of their way to buy green products.

13. Practical Implications-

This paper is relevant for all the modern business firms as they have to follow environmental laws and also the consumers these days are getting aware and conscious about green practices adopted by firms. That is why from Mc Donalds to coca-cola they are all getting green.

14. Challenges Ahead –

14.1. Green products require renewable and recyclable material, which is costly

14.2. Requires a technology, which requires huge investment in R & D

14.3. Water treatment technology, which is too costly

14.4. Majority of the people are not aware of green products and their uses

14.5. Majority of the consumers are not willing to pay a premium for green products

15. Conclusion-

Green marketing should not neglect the economic aspect of marketing. Marketers need to understand the implications of green marketing. If you think customers are not concerned about environmental issues or will not pay a premium for products that are more eco-responsible, think again. You must find an opportunity to enhance your product's performance and strengthen your customer's loyalty and command a higher price. Green marketing is still in its infancy and a lot of research is to be done on green marketing to fully explore its potential.

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Statistics

		PEnv	Desire	Laws	extraPRICE	PurBeh	repurBeh
N	Valid	50	50	50	50	50	50
	Missing	0	0	0	0	0	0
Mean		3.2600	2.4600	2.3000	3.3400	2.8200	2.8000
Std. Deviation		.85261	1.07305	.97416	1.06157	1.33539	1.30931
Range		4.00	4.00	4.00	4.00	4.00	4.00
Minimum		1.00	1.00	1.00	1.00	1.00	1.00
Maximum		5.00	5.00	5.00	5.00	5.00	5.00

Table 1 shows the mean and standard deviations of the data.

Polluting Environment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	1	2.0	2.0	2.0
		5	10.0	10.0	12.0

2.00				
3.00	29	58.0	58.0	70.0
4.00	10	20.0	20.0	90.0
5.00	5	10.0	10.0	100.0
Total	50	100.0	100.0	

Table 2 clearly depicts that that majority of the people are not concerned about organisations polluting environment as 58% are neutral regarding the issue.

Desire

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	11	22.0	22.0	22.0
	2.00	14	28.0	28.0	50.0
	3.00	18	36.0	36.0	86.0
	4.00	5	10.0	10.0	96.0
	5.00	2	4.0	4.0	100.0
Total		50	100.0	100.0	

Table 3 depicts that about 50% of the population in the sample agrees or strongly agrees that the organisations should practice green marketing.

Laws

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	13	26.0	26.0	26.0
	2.00	13	26.0	26.0	52.0
	3.00	21	42.0	42.0	94.0
	4.00	2	4.0	4.0	98.0
	5.00	1	2.0	2.0	100.0
Total		50	100.0	100.0	

Total				
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Table 4 depicts that maximum people are concerned that companies should abide by environmental laws.

Extra Price

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	2	4.0	4.0	4.0
	2.00	9	18.0	18.0	22.0
	3.00	16	32.0	32.0	54.0
	4.00	16	32.0	32.0	86.0
	5.00	7	14.0	14.0	100.0
	Total	50	100.0	100.0	

Table 5 clearly reflects that majority buyers are not willing to pay extra price for green products.

Purchase Behavior

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	11	22.0	22.0	22.0
	2.00	9	18.0	18.0	40.0
	3.00	15	30.0	30.0	70.0
	4.00	8	16.0	16.0	86.0
	5.00	7	14.0	14.0	100.0
	Total	50	100.0	100.0	

Table 6 reflects that 60% customers are not affected by green marketing while making purchasing decision and 40% are affected.

Repurchase Behavior

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1.00	10	20.0	20.0	20.0
2.00	12	24.0	24.0	44.0
3.00	12	24.0	24.0	68.0
4.00	10	20.0	20.0	88.0
5.00	6	12.0	12.0	100.0
Total	50	100.0	100.0	

Table 7 reflects that 44% buyers prefer to repurchase such products which are green and 56% are not affected.

T-Test

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
PurBeh	50	2.8200	1.33539	.18885
extraPRICE	50	3.3400	1.06157	.15013

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
	Lower	Upper	Lower	Upper	Lower	Upper
PurBeh	14.932	49	.000	2.82000	2.4405	3.1995
extraPRICE	22.248	49	.000	3.34000	3.0383	3.6417

The value of test is significant thus accepting the hypothesis.

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