

# A STUDY ON MARKETING STRATEGIES AND CONSUMERS PERCEPTION OF SELECT GREEN PRODUCTS

<sup>1</sup>Mr. ABDUL RAHUMAN M, <sup>2</sup>Dr. O.M HAJA MOHIDEEN

<sup>1</sup>Assistant Professor, <sup>2</sup>Associate Professor  
<sup>1</sup>P.hd Part Time Research scholar, <sup>2</sup>Research Guide  
Department of Business Administration  
Khadir Mohideen College, Adirampattinam

**ABSTRACT:** As sustainability increasingly moves from fringe to mainstream, getting into the green game has become a corporate imperative. Because most established companies were founded before sustainability was truly a management concern, they lack a green heritage and competencies in managing environmental challenges – and opportunities. To respond to this reality, most companies need to take two tracks. The first is developing internal know-how and organizational structures for identifying, evaluating and managing the sustainability issues surrounding the company and its operations. The second is formulating strategies to develop new green product offerings suited to their market space. Segmenting non-adopters provides an excellent opportunity to target specific customers, who might otherwise not consider a green product or service. Companies who now have competitive green products and services need have a positioning strategy for different types of customers.

**Keywords:** Sustainability, Eco-friendly, Perception, Marketing strategies, initiator

## 1. INTRODUCTION

The negative impact of human activities over environment is a matter of concern today. Governments all over the world making efforts to minimize human impact on environment. Today our society is more concerned with the natural environment. Understanding the society's new concerns businesses have begun to modify their behavior and have integrated environmental issues into organizational activities. Academic disciplines have integrated green issues in their literature. This is true with marketing subject too, and the terms like "Green Marketing" and "Environmental Marketing" are included in syllabus. Governments all over the world have become so concerned about green marketing that they have attempted to regulate them.

Green marketing definitions can be a little confusing, since green marketing can refer to anything from greening product development to the actual advertising campaign itself. Going by alternative names such as sustainable marketing, environmental marketing, green advertising, eco marketing, organic marketing, all of which point to similar concepts though perhaps in a more specific fashion, green marketing is essentially a way to brand your marketing message in order to capture more of the market by appealing to people's desire to choose products and services that are better for the environment.

There are many environmental issues impacted by the production of goods and rendering of services, and therefore there are also many ways a company can market their eco-friendly offerings. Green marketing can appeal to a wide variety of these issues: an item can save water, reduce greenhouse gas emissions, cut toxic pollution, clean indoor air, and/or be easily recyclable. When put side by side with the competition, the more environmental marketing claims your product or service can make, the more likely it is the consumer will select it, provided the price point isn't too much higher than the alternative.

## DEFINITION

"Marketing products and services based on environmental factors or awareness. Companies involved in green marketing make decisions relating to the entire process of the company's products, such as methods of processing, packaging and distribution".

## What is green 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

## Evolution of Green Marketing

The term Green Marketing came into prominence in the late 1980s and early 1990s.

- The green marketing has evolved over this period of time. The evolution of green marketing had 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. This was the result of the term sustainable development which is defined as "meeting the needs of the present without compromising the ability of future generations to meet their own needs."

## 2. LITERATURE REVIEW

According to Hallin (1995) and McCarty and Shrum (2001), people engage in environmental behavior as a result of their desire to solve environmental problem, to become role models and a belief that they can help to preserve the environment. However, the consumers' indications of positive perception towards environmental issues do not necessarily lead to actual environmentally friendly purchasing behavior (Laroche et al., 2002). Majority of consumers do not purchase products based on the environmental concern alone and they will not trade-off other product attributes for a better environment (Yam-Tang and Chan, 1998).

During the last two decades the burgeoning environmental movement was named as the "green movement"; environmentally aware consumers called the "green consumers", product designed to protect the environment called the "green products" and marketing that uses the environmental claims called the "green marketing" (Peattie, 1997). According to the authors like Ottaman, (1993) and Ken Peattie, (1993) conventional marketing is out and Green Marketing is in.

Green Marketing might be a result of pragmatic policy, referring to the changes of preferences of the customers and /or to follow the mainstream development of the industry. However, there are companies, which are really centered on green values and try to realize their ecological worldview in their business activities (e.g. the Body Shop, Ben and Jerry's, Tom's of Main, Interface).

An average green company can be described by using the models and experiences reported by John Elkington, Peter Knight and Julia Hailes in their book *The Green Business Guide* (Elkington et al., 1992).

A green company is based on its corporate vision that includes environmental concerns as the company's functioning. This simply means that the company realizes the needs of the ecosystem with which it interacts. For example, any company wants "to be a good company, having concern for the community and the environment".

According to Hawken (*Ecology of Commerce*, 1995) business has three issues to face. These are what it takes, what it makes and what it wastes. What it takes is materials from the environment, (its ecosystem) through extracting, mining, cutting, hunting and other means. What it makes is the products of commerce, goods and services that are derived from the natural environment through the process of conversion and transformation. What it wastes represents eco-costs arising from garbage, pollution and destruction of natural systems, which are the consequences of taking and making processes. And these costs are not internalized in most of the accounting systems so far.

The critical importance of industrial greening, in particular, is highlighted by a consideration of the factors that contribute to large-scale environmental deterioration. Environmental Impact equals a product of population (P), time's affluence (A), time's technology (T) (Ehrlich and Ehrlich 1991).

## 3. OBJECTIVES OF THE STUDY

- ❖ To study on marketing strategies and consumers perception of select green products
- ❖ To investigate the marketing strategies and consumers perception of select green products
- ❖ To understand the issues and challenges of green marketing practices.
- ❖ To measure the Promoting Sustainability by Marketing Green Products

## 4. RESEARCH METHODOLOGY

Researchers have used exploratory research design in the study. A structured questionnaire is used, and a five point balanced Likert Scale is used for measuring consumer perception towards green marketing and green products. Both primary and secondary data are used.

## 5. Green marketing strategies Promoting Sustainability by Marketing Green Products

Sustainability is a hot topic in the India and through the world as there is a consensus that humans are impacting the global environment. Sustainability marketing is a large component of business efforts toward sustainability, and is defined as "planning, organizing, implementing and controlling marketing resources and program-me to satisfy consumers' wants and needs, while considering social and environmental criteria and meeting corporate objectives" (Belz and Peattie, 2009, p. 31). Thus, environmental protection is often a focus of sustainability marketing.

One way companies help satisfy consumer needs and initiatives to protect the environment is by offering environmentally friendly, or green, products. Green products are defined as products that minimize the environmental impact of their consumption (Janssen and Jager, 2002). Marketers can minimize the environmental impact associated with the consumption of a product or service by: changing the source of materials, monitoring the carbon footprint, minimizing packaging, providing recycling options for product disposal (product); developing pricing options that allow different pricing structures based on environmental offsets (prices); utilizing decentralized/local production and sustainable distribution channels (place); and utilizing less print materials and labeling products with information about the environmental impacts of the products (promotion) (Kotler, 2011).

Marketers can use various facets of the marketing mix to improve the sustainability of their offerings and produce green products that help, “meet present needs without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, 1987). Marketers have adopted a 3P philosophy toward the marketing of green products, which addresses profit, people, and planet in that order (Villano, 2011). However, despite concerns about consumers harming the environment and recent efforts to put green positioning behind price and quality communications, environmentally friendly products and services are not as successful as they could be. Green product/service penetration in the U.S. is only 5 to 7 percent. Even with fluctuating gasoline prices, hybrid vehicles sales only represent approximately 2% of the U.S. automobile market in 2011 ([www.hybridcars.com](http://www.hybridcars.com)).

One reason for the lack of penetration of green products is over the past several decades, consumers often had to pay more for less with respect to green products and services (Peattie, 2001). The products often lacked the economies of scale associated with non-green products and did not perform as well as their non-green counterparts. The criteria for purchase decisions are usually focused on product performance, price, whether the product is healthy, and whether the product is easy to get. If all these criteria are met and the product is also green, that is even better, but green products that do not meet these criteria are often overlooked (Villano, 2011).

Another explanation is that knowledge about environmental harm caused by non-green products is a necessary but not sufficient condition for action, which creates questions about how to overcome barriers that prevent widespread adoption of environmentally friendly products (Pelletier, Dion, Tuson & Green-Demers, 1999). A more recent study suggests consumers are ambivalent toward green products, meaning they simultaneously have both positive and negative evaluations about green products (Chang, 2011). Another study suggests there is a ‘sustainability liability,’ which means less environmentally friendly products are valued in certain product categories (Luchs, Naylor, Irwin & Raghunathan, 2010). In short, a green product does not uniformly create a positive or negative response from consumers.

In the last 5 years, great advances have been made in both the quality and price of green products. Consumers can now find products equal in quality and a comparable in price to traditional products. There are still instances where price may be higher, but often the quality is also higher (e.g. Patagonia). As a result of these product advancements and socio-cultural changes, the green product/service revolution has been gaining momentum.

Even so, marketing efforts associated with environmentally friendly products are often focused on trying to convince already “green” consumers to buy green products or services. In fact, most research about selling green products focuses on characteristics of green consumers. However, Figure 1 illustrates the majority of customers who are less willing to make sacrifices (financial or otherwise) to pursue green products. To increase the widespread adoption of green products, it is important to answer two questions: What are the characteristics of the large mass of consumers who are not green? How should green offerings be positioned for members of the population who have not adopted green products and services?

From a marketing perspective, if a company can identify the reasons or sources of resistance among non-green customers, it can target their products/services and communication efforts in a way that allows them to overcome the resistance. Before marketers can position their offerings using communications and the other elements of the marketing mix to win over non-green customers, they must understand the characteristics of the market segments and determine which segments to target with each type of communication. The next section provides an overview of segmentation strategies that have been used to increase our understanding of green and non-green consumers.

### **Segmenting the Market for Green Products**

Consumers often report intentions to purchase green products but do not follow through with their purchase behavior. The extant research outlines who adopts different types of green products (e.g. Follows & Jobber 2000; Ewing & Sarigollu 2000) and describes consumers who are environmentally engaged (e.g. McStay & Dunlap, 1983; Scott & Willits, 1994; Grunert, 1991). More recent work suggests consumer segments can be differentiated in a meaningful way by grouping them based on environmental values and environmental self-efficacy (Oliver and Rosen 2010).

Environmental values are associated the non-economic buying criteria that is related to the environment (Drumwright 1994). Values develop over time and, thus, are often difficult to change (Burroughs and Rindfleisch 2002). Self-efficacy, on the other hand, reflects whether an individual can make a difference. An individual may be concerned about the environment may choose not to act is if they feel action is not worthwhile or not their responsibility (Maibach 1993). Environmental self-efficacy captures the degree to which people feel they can make a difference.

In Oliver and Rosen (2010) consumers were segmented into four groups based on these two dimensions (Table 1). Among these segments, the Non-Green consumers are least likely to adopt green products. They do not know or care about the environmental impact of the products they use, they do not actively seek information about green products or bow to peer pressure, and they are very price sensitive. Active Greens are the most desirable target for green products, but they are also the segment that we know the most about and they are likely to buy green products regardless of the marketing efforts. The less researched segments, Latent Greens and Potential Greens, are the segments that have the highest potential for the growth of green products.

Latent Greens care about the environment, but they do not feel like their efforts to protect the environment will matter in the grand scheme of things. They are also very skeptical about information regarding new products and marketing communications, so they are difficult to convince otherwise. Potential Greens, on the other hand, do not care as much about the environment, but feel they would be able to make a difference. They are more willing to change to please others than the Non-Green segment, but they are similar to the Non-Green customers because they tend to be less technologically savvy than other segments.

Negative perceptions about green products and services can be a challenge because they are difficult to overcome. Marketers generally accept that if everything else is equal (including price and quality), consumers will choose a green product over a traditional product (Kinneer, Taylor and Ahmed, 1974).

However, even when green products have higher quality and comparable prices, it can be difficult to overcome explicit beliefs that green products underperform traditional products at a higher cost.

Green consumers are willing to make the sacrifice, non-green consumers will not consider spending more for less. The question remains on how to move the 60% of consumers who are not for or against green products toward the adoption of green products.

Once the characteristics of the potential market have been identified, marketers can select which segments to target and how to position their offerings.

As noted in the introduction, marketers can make products more sustainable by modifying the product, price, distribution or promotion. Specific distribution and promotional strategies can also be utilized to overcome objections toward green products from less green consumers.

### **Increasing the Appeal of Green Products**

A marketer who is introducing an environmentally friendly version of an existing product might wonder where to sell the product and how to communicate about it to increase its appeal to Latent and Potential Greens. One characteristic that influences the way these consumers evaluate green products is their explicit beliefs about the product's performance. Luchs et al. (2010) suggest the positioning of a green product depends on what you want consumers to understand about the product's performance. Since consumers generally associate green products with low strength, marketers that want to emphasize the strength of a green product need to make the association explicit. For example, consumers might assume a green cleaning product is a low strength product unless it is associated with a brand name that represents strength (e.g. Clorox Green Works).

More recent research suggests product trial and independent merchandising (as in an end-cap display) can help overcome explicit beliefs that environmentally friendly products do not perform as well as their non-green counterparts (Ashley, Oliver & Zemanek, 2012). If marketers can address the quality concerns associated with green product use through hands-on trials and exclusive displays, they can increase green product adoption intentions and the word-of-mouth about the products.

Marketers should avoid green washing, or making environmental claims that are false, due to regulations, or promote a socially responsible practice while engaging in other harmful practices (Delmas and Burbano, 2011). Firms may have an incentive to green wash if, for example, they want to differentiate their products but do not actually have a commitment to sustainability. However, green washing comes at an extremely high cost. Green washing is likely to increase consumer skepticism toward environmental messages about products, which will make it more difficult to reach non-adopters. Connelly, Ketchen and Slater (2011) suggest that firms that want to differentiate their offerings and achieve competitive advantage through investment in green products need to invest in certifications, environmentally friendly technologies, environmentally friendly packaging, credible spokespeople, and clear product labels so they will not be associated with green washers. Firms also want to avoid sending conflicting messages about their commitment to sustainability.

Unlike green washing, marketers should emphasize the total life-cycle cost of their products to non-adopters. Consumers may understand the overall utility associated with the product more clearly if they consider the cost to purchase, use, and dispose of the product as well as the product's price. Further, consumers who are not convinced the environment is worth saving or that they can make a difference are still likely to consider the overall cost, which may increase the likelihood that they adopt a green product. Some companies have added cost calculators to help potential customer do the math. For example Philips Corporation allows users to compare different light bulbs models and compare the total cost of incandescent (where still available), fluorescent and LED light bulbs. This is important because the higher initial purchase price of and LED bulb might deter most consumers, however the Phillips calculator allows customers to see the use costs and how much the LED bulbs would save over fluorescent and incandescent bulbs. In addition, customer can calculate these use cost for one bulb or lighting for entire apartment or house ([www.phillips.com](http://www.phillips.com)).

## Increasing the Appeal of Green Services

Services have also embraced green initiatives to please customers, save money, and protect natural resources. For example, restaurants are using organic and local foods, hotels are introducing features that lower their impact on the environment, rental car agencies like ZipCar have shifted consumers to partial ownership models and fuel efficient vehicles, ski lifts are powered by wind and retailers like Whole Foods and Walmart have increased their emphasis on local foods, greener supply chains, reduced packaging, recycling and energy efficiency. In fact, Walmart's efforts toward sustainability also helped drive green innovations in more tangible product categories at a significant cost to consumer packaged goods companies (Neff 2007).

One area where green consumer research reports a demand for green services is tourism (Wehrli, Egli, Lutzenberger, Pfister, Schwarz and Stettler, 2011). Millar and Baloglu (2011) report little difference between business and leisure travelers' sustainability preferences and note the green hotel attribute most preferred by consumers is green hotel certification, such as a hotel being recognized by the U.S. Green Building Council's Leadership in Energy and Environmental Design rating system (LEED). Other environmental practices found to be of importance to guests included refillable shampoo dispensers, towels and linens reuse policies, and energy-efficient light bulbs. Previous research has found a price premium does not function as the main deterrent in selecting greener accommodations (Hopkins & Roche, 2009) because consumers have less tangible motivators when they choose accommodations that have implemented green practices.

In spite of the apparent interest in sustainable tourism and green hotels, hotels that implement green practices have to be careful to make sure their green efforts are directed at and valued by the consumer, not simply focused on increasing profits for the firm. They also have to make sure the green message does not overshadow the other aspects of the service provider's unique selling proposition that are valued by consumers. For example, when a luxury hotel decided to promote its green offerings, it sacrificed room rates as it increased occupancy. The hotel was more profitable when they emphasized luxury first and the green initiatives second (Villano, 2011).

Like more tangible products, other services also face challenges when they try to market greener offerings. Some service providers face a green backlash, where consumers lower their evaluations of the service if they hear about the service provider's green initiatives (Chun & Giebelhausen, 2012). One possible source of the backlash in the context of services is credibility, and the backlash can be offset if competitors also pursue environmental initiatives. Therefore, it may be advantageous for service providers who want to go green to communicate with competitors, perhaps through a trade organization or environmental initiative group. Further, just like marketers of tangible products, service marketers need to avoid marketing overstating the impacts of their environmental efforts so they are not labeled as green washing.

## Green Products and the Triple Bottom Line

Sustainability marketing can contribute to the Triple Bottom Line (TBL), which accounts for the environmental quality, social equity and economic prosperity in a way that can help marketers manage resources, capabilities and develop a competitive advantage (Chabowski, Mena & Gonzalez-Padron, 2011). The environmental dimension is about responsibility with natural resources, the social dimension is about responsibility to society and the economic dimension is about value creation and firm financial performance. The economic dimension is important because companies that want to enact a social or environmental change must operate profitably or they will not survive to pursue their other goals (Tracey & Phillips, 2007).

The reason TBL is important to green product and service marketers who want to reach out to non-adopters relates to the old adage that you cannot manage what you do not measure. In order for green marketing efforts to be successful, whether they are initiated as a key source of differentiation or an added bonus to an otherwise superior product, there has to be buy-in from top management. The TBL approach also may deter increased regulations/policies. Perhaps just as important as top management buy-in, transparency about environmental initiatives enhances the credibility associated with green marketing efforts (Villano, 2011), which is extremely important to reaching Latent and Potential Green segments. Finally, the idea that TBL reporting holds firms accountable for their environmental claims also means that it increases general buy-in toward making sure the firm delivers on its claims from the bottom up.

## 6. CONCLUSION

The adoption of green products and service has been relatively slow considering the attention the environment has received worldwide. Early perceptions of high cost and low quality of green offering from companies have lingered with many consumers. In addition, different consumers may not have the knowledge, motivation or desire to figure out the impacts of their consumption choices. Segmenting non-adopters provides an excellent opportunity to target specific customers, who might otherwise not consider a green product or service. Companies who now have competitive green products and services need have a positioning strategy for different types of customers. The strategy needs to be developed with the recognition that identifying a product as green is insufficient as a justification for purchase and, in some cases, may actually harm market penetration instead of aiding it.

Companies can reach out to customers who might consider green offerings by encouraging product trial. Providing online or point of purchase tools that allow potential customers to calculate total costs instead of initial purchase price can also help consumers make better decisions. Further, products and services should identify the characteristics that are most important to the targeted segments and may resort to communicating about the green aspects as an added bonus to an exceptional offering. Finally, companies

that pursue green marketing efforts should track their progress and create an environment that is transparent in order to advance green initiatives and improve consumer perceptions of the credibility of their green claims.

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