

EFFECTS OF GREEN MARKETING STRATEGY ON BUSINESS PERFORMANCE: A CONCEPTUAL PAPER

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Introduction

While globalization process continues in its full speed across the world, this process has also brought some problems with it. Leading one of these problems is environmental problems that affect all living beings negatively. These aforementioned environmental problems have started to come to the agenda more and more in the recent years and people have started to talk these negativities. Consumers now have worries about the future of the world and as results of this mostly prefer environment friendly products. In return to these attitudes of the consumers, companies have started to form their marketing strategies so as to appeal increasing awareness of this environment-friendliness (Hult, 2011). These marketing strategies, named as green marketing, have caused companies to adopt green policies in their pricing, promotion, product features and distribution activities.

Green marketing strategies are employed by many enterprises to enhance their corporate image and business performance. Green marketing is perceived as the commitment of a business or an organisation towards the development of safe, eco-friendly goods and services by employing recyclable and easily decomposed packaging, better pollution prevention methods, and a more efficient use of energy (Cronin et al., 2011).

Review of Literature

Green marketing was given prominence in the late 1980s and 1990s after the proceedings of the first workshop on Ecological marketing held in Austin, Texas (US), in 1975. According to Peattie and Crane (2005), 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. According to Pun (2006) Green marketing, also alternatively known as environmental marketing and sustainable marketing, refers to an organization's efforts at designing, promoting, pricing and distributing products that will not harm the environment. In the words eminent researcher namely Polonsky (1994), green marketing means all the 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. In addition the concept of green consumer also gained momentum. Researcher such as Chakraborty (1997) defines green consumer as one who avoids products that are likely to endanger the health of the consumer or others; cause significant damage to the environment during manufacture, use or disposal; consume a disproportionate amount of energy; cause unnecessary waste; use materials derived from threatened species or environments; involve unnecessary use of, or cruelty to animals; adversely affect other countries. 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.

Conceptual Framework

The proposed model shows the relationship between Green marketing strategy including green product, green price, green promotion, green distribution, green people, green process, and green physical evidence with firm performance includes both financial and non-financial performance is depicted in Figure 1.

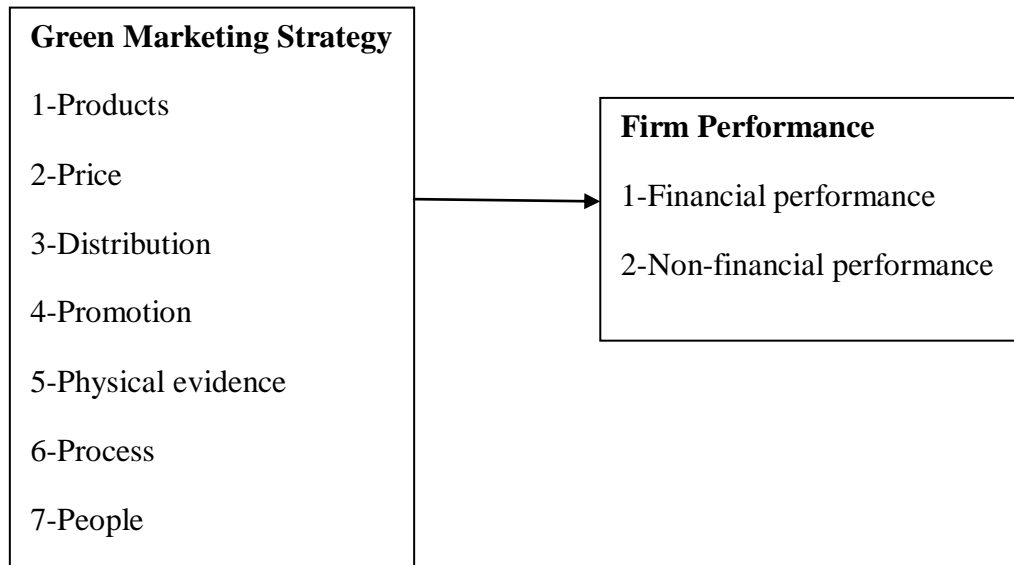


FIGURE 1. PROPOSED CONCEPTUAL MODEL

Concept of Green Marketing Strategy

It denotes a set of marketing tools and elements, allows a firm to serve the target market and achieve organizational goals without harming the natural environment (Al-Salaymeh (2013). At the same time, it facilitates product sales. Active involvement in environmental protection motivates family and friends to purchase green products, thus furthering the sustainable development in the country (Gopalakrishnan and Muruganandam, 2013). Green marketing encompasses marketing practices, policies, and procedures that take into account the natural environment concerns; these activities aim to generate revenue and provide outcomes that fulfill the product or product line objectives of both the organization and individuals. Hence, the concept of green marketing mix pertains to the elements that are designed to achieve the strategic and financial goals of a firm, particularly in terms of reducing their negative (or increasing their positive) effects on the natural environment.

Concept of Business Performance

Germain et al. (2001) classified performance control into two types, namely, internal performance, which is related to issues such as cost, product quality, and profit level; and benchmark performance, which compares cost, quality, customer satisfaction, and operations against a standard (i.e., industry norm, practices of leaders). Current remuneration systems support the strong orientation of executive culture toward short-term financial performance measures and the obliviousness to personnel concerns (Fliaster, 2004). This situation highlights the unsuitability of financial measures based on traditional accounting practices, with emphasis on short-term indicators (i.e., profit, turnover, cash flow, and share prices), in terms of evaluating firm performance. By contrast, the increasing importance of non-financial measures, such as customers, investors, and stakeholders, has been observed (Chang Lee et al., 2005). To obtain the benefits of both financial and non-financial measures, Maltz et al. (2003) proposed five performance indexes for evaluating firm performance, namely, financial performance, market/customer, process, people development, and future. On the basis of the results of the preceding discussion, the current study integrates financial and non-financial measures for evaluating firm performance.

Research Propositions

The marketing literature indicates the advantages of pursuing green initiatives, such as larger financial gains and market share, high levels of employee commitment, increased firm performance, and enhanced capabilities. Environmentally responsible actions likewise increase customer satisfaction and firm value and reduce threats to the company, thus increasing firm valuations. However, green promotional initiatives also yield negative stock returns. At the same time, cost savings may be obtained from green practices. Firms that reduce pollution and inputs that may cause waste would obtain cost-saving advantages. Green firms, in particular, can likewise rapidly recover their financial outlay for green efforts by achieving energy efficiency and waste reduction. The present paper has formulated certain propositions on the basis of scanned literature which can be empirically tested in future by adopting a definite research methodology which are as under:

P1: Green marketing significantly affects business performance.

P2: Green marketing significantly affects financial performance.

P3: Green marketing significantly affects non-financial performance.

Discussions and Conclusions

The reviewed seven factors such as green product, green price, green distribution, green promotion green people, green process, and green physical evidence will indicate that the green marketing strategy positively affects the financial and non- financial performance of firms. This paper extensively reviews the literature in the field of green marketing strategy and highlights that firms that will adopt green marketing strategy (green product, green price, green distribution, green promotion green people, green process, and green physical evidence) are expected to generate more profits than those firms that do not adopt such strategies

Research Implications, Limitations and Future Research

The current paper is expected to contribute to the extant body of literature that focuses on green marketing strategy, and the financial and non-financial performance of firms. Despite promotion from scholars and policy makers, several fundamental issues in green marketing, such as the relationship between green marketing strategy and firm performance, remain under investigated which can be undertaken in future. The present paper fails to empirically investigate the relationship between green marketing strategy and business performance. Future research can be taken up where these various relationships can be examined in various sectors and industries.

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