International Journal of Applied Research 2015; 1(12): 821-824

ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 5.2
IJAR 2015; 1(12): 821-824
www.allresearchjournal.com
Received: 13-09-2015
Accepted: 15-10-2015

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Effects of green marketing strategy 4ps on firm performance

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Abstract
This is a conceptual paper to study the effects of green marketing strategy on the firms' performance. The paper aims at presenting the reviews of the literature on the green marketing and analyses the four factors that will influence the firms' performance. As green marketing strategy become increasingly more important to firms adhering to a triple-bottom line performance evaluation, the present paper seeks to better understand the role of "green marketing mix" as a marketing strategy. The conclusion that was drawn is that, green product, price, distbution and pormotion have a positive effect on the firms' performance.

Keywords: Green marketing strategy, firm performance

Introduction

As the competitive landscape is being drastically changed by the increasing concern toward environmental sustainability, firms are beginning to determine how the adoption of "green" marketing practices can benefit or harm their performance (Leonidou *et al*., 2013) [12]. The increasing sensitivity of the public, strictness of regulations, and amount of pressure from stakeholders have driven professionals to consider "green" issues in their corporate decisions (Leonidou *et al*., 2013; Hult, 2011) [10, 12]. Environmental products and services, such as green vehicles, have also attracted increasing attention from customers (Kotler, 2011; Luchs *et al*., 2010) [11, 13]. However, although corporate managers are beginning to include such issues in their agenda, the sustainability of their marketing strategies has been insufficiently documented in empirical studies (Cronin *et al*., 2011) [5]. Therefore, the effects of adopting environmental marketing practices remain relatively unknown among the managers and policy makers of contemporary firms (Chabowski *et al*., 2011) [4].

Green marketing strategy

Green marketing mix, which 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) [1]. 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) [8].

In the sustainability literature, 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. This concept is consistent with the view that each element of the marketing mix is created and executed in a manner that reduces the detrimental effects on the natural environment. This conceptualization of the green marketing mix is congruent with previous definitions of environmental and green marketing (Leonidou *et al*., 2013) [12].

Conceptual Model

The hypothesized model linking the relationship between Green marketing strategy includes green product, green price, green promotion, green distribution, with firm performance is depicted in Figure 1.

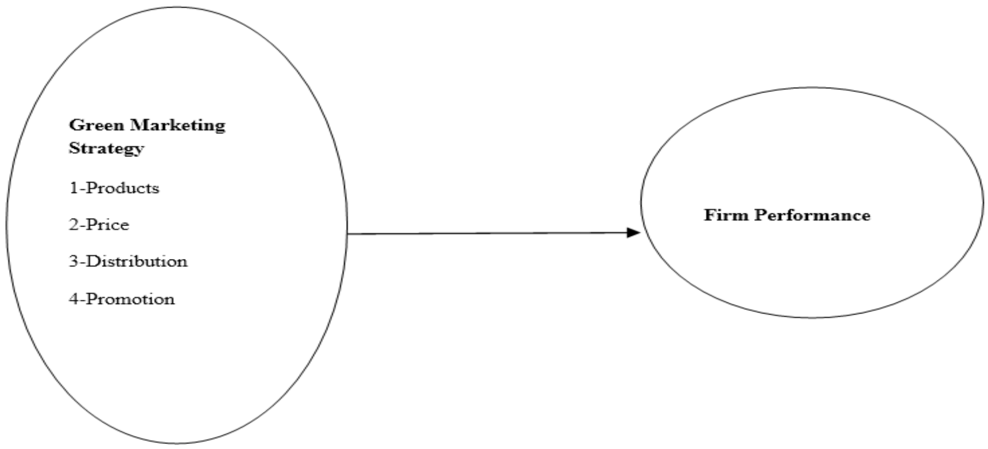

Fig 1: Proposed conceptual model

Green product

A product could be called "green" if its production process is ecofriendly and less damaging to the environment. Every business is responsible for reducing the environmental pollution in its production process. The raw materials comprising a product must be obtained in such a way that natural resources are preserved. As previously discussed, waste management is highly essential in this aspect. Business must develop an ecofriendly design and a packaging that minimizes pollution and hazards. The sunk costs of product improvements are substantial; nevertheless, these costs are justifiable because they are likely to boost product sales. Reverse logistics (i.e., a technique in which customers return to the business used packaging, wrapping, and even the used product itself) would significantly aid in preserving the environment (Arseculeratne and Yazdanifard, 2014) [2].

Green products emanate from product-related decisions and actions that aim to preserve or benefit the natural environment through energy and/or resource conservation as well as pollution and waste reduction. Both strategic and tactical approaches may be involved in such undertakings. The process of packaging and labeling products in an environmentally friendly manner is a tactical challenge several firms face. For instance, in France, Hewlett-Packard addressed this challenge by selling its laptops in a ready-made carrying case, thus reducing the use of disposable packaging for laptops by 97% (Belz and Peattie, 2009) [3]. Nestlé likewise confronted this challenge by reducing the size of paper labels on its bottled water brands by 30% (Ottman, 2011) [14]. In the strategic context, firms may opt to use green product design techniques, which often drive changes in the manufacturing processes. The challenge is to create new environmentally friendly products (e.g., biodegradable, recyclable) at the outset rather than adopting "end-of-pipe" solutions for existing products. SC Johnson rose to this challenge by modifying its manufacturing process and subjecting all of its products to a reformulation to eradicate the use of polybutylene terephthalate. Similarly, Nike introduced the Air Jordan XX3 shoes, which are primarily made of recycled materials and use a small amount of glue in their construction (Ottman, 2011) [14].

Green price

The process of going green is expensive in terms of installing new technology and equipment, training people, absorbing external costs, and converting waste into recycled products. These costs are inevitably integrated into the final price of a product. Green price is therefore a premium price, which further increases with the addition of the cost of promotion. These expenses must be rationalized by marketing efforts; at the same time, consumers must be encouraged to shell out a premium price. These imperative actions must be further justified through persuasive advertising messages. Nevertheless, eliminating the packaging material could decrease the prices of green products, as several businesses have experienced; these businesses consider this proposition a desirable one, especially when packaging costs constitute a huge part of the unit cost (Arseculeratne and Yazdanifard, 2014) [2].

The practices of green pricing consider both the economic and environmental costs of production and marketing, while simultaneously providing value for customers and a fair profit for business. From the tactical perspective, firms can undertake pricing actions, such as rebates for returning recyclable packaging and charging higher prices for environmentally unfriendly products. For instance, Coca-Cola established a "recycle bank" as a form of rewarding U.S. customers for their bottle-recycling efforts. In the United Kingdom, retailer Marks & Spencer encourages the use of environmentally friendly shopping bags by charging customers for plastic carrier bags (Belz and Peattie, 2009) [3]. From the strategic perspective, firm can deploy techniques such as life-cycle costing (e.g., incorporating product costs from research to disposal) to determine prices for products within the sustainability context. For instance, customers of the German utility E.ON (2011) have the option to purchase green electricity at higher prices to reflect the costs of sustainably generating power. Similarly, Seventh Generation sells its range of environmentally friendly household cleaners at considerably higher prices than regular alternatives to reflect the higher product costs (Dahlstrom, 2011) [6].

Green distribution

Green distribution denotes the selection of channels in a manner that minimizes environmental damage. Most of the damages to the environment occur during the transportation of goods. Hence, firms must implement safety precautions on the delivery of products (Arseculeratne and Yazdanifard, 2014) [2].

Green distribution programs entail activities that are related to monitoring and improving environmental performance in the demand chain of the firm. Working with channel partners to develop product reuse or disposal arrangements and ensuring that customers are able to return recyclable materials are two tactical initiatives that firms could undertake in their pursuit of green distribution. For instance, Hewlett-Packard has formed a partnership with Staples in its "authorized recycling location" program for printer ink cartridges (Matthews 2011). From the strategic perspective, firms may develop policies that require suppliers and distributors to comply with environmentally responsible standards as part of their respective marketing roles. Firms may likewise establish "eco-alliances" with channel partners to enhance the environmental effects of their joint activities, such as restructuring logistical procedures to increase their environmental efficiency (e.g., fewer and fuller cargos) (Dahlstrom, 2011) [6]. For instance, leading global consumer goods firms in the world, such as Pepsi, Nestlé, and L'Oreal, have collaborated with Tesco, one of their largest retail partners, to forge a supply chain leadership coalition; this collaboration advances strategies for reducing the carbon footprint of their supply to consumer distribution activities (Leonidou, 2013) [12].

Green promotion

Green marketing likewise involves promoting the material of a business. Sales promotions, direct marketing, public relations, and advertising are some of the means of conveying to the customers the core message of greenness; the latter two approaches are the most extensively used platforms for projecting the green outlook of a firm. Going green, which aims to bridge the business and the community, can sometimes require a major public relations initiative. Publicizing products and rationalizing their features and prices are two goals that green advertising could achieve (Arseculeratne and Yazdanifard, 2014) [2].

For companies, green promotion programs are an effective means of informing stakeholders about their environmental preservation efforts, commitment, and achievements (Belz and Peattie, 2009; Dahlstrom, 2011) [3, 6]. From the tactical perspective, firms can undertake programs that are designed to reduce the detrimental environmental effects of their marketing communication efforts (Kotler, 2011) [11]. For instance, Dell uses roughly 50% recycled paper in its direct mail catalogs, and it has directly linked all of its printed promotional materials to carbon-offsetting programs (Belz and Peattie, 2009) [3]. From the strategic perspective, firms can use green promotion tactics to communicate the environmental benefits of their goods and services, such as advertising environmental claims, publicizing environmental efforts, and integrating environmental claims into product packaging. For instance, to communicate the environmental impact of its products, Timberland introduced a green index rating system (Ottman, 2011) [14]. In the United Kingdom, Procter & Gamble successfully deployed a campaign to reduce the washer temperatures of consumers, which benefitted from the technological advancements of Ariel; in the process, annual savings of 60,000 t of carbon dioxide were realized (Belz and Peattie, 2009) [3].

Firm performance

Performance is a critical concern for companies. The major drivers of firm performance are resources that are unique, invaluable, and difficult to imitate and replace (Holsapple and Wu, 2011) [9]. Excellent firm performance is likewise at the core of competitive advantage. A number of scholars provide similar definitions of performance, but their criteria for measuring performance vary. Therefore, the research topic of a study should determine the performance measurement index to be used (Evans and Davis, 2005) [7].

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. For instance, DuPont invested $50 million on energy-saving undertakings in 2008 and successfully recovered this investment after only one year, thus bringing future cost-saving advantages to the firm. The benefits and positive effects of green initiatives on firm performance are indisputable, but a more in-depth understanding of the impact of green marketing strategies on firm performance should be obtained (Cronin *et al*., 2011) [5].

Conclusion

This paper extensively reviews the literature in the field of green marketing mix and highlights that Firms that adopt green marketing strategy are expected to generate more profits than those firms that do not adopt such strategies. The current paper is expected to contribute to the extant body of literature that focuses on green marketing strategy and the performance of firms. Despite promotion from scholars and policy makers, several fundamental issues in green marketing, such as the relationship between green marketing mix and firm performance, remain under investigated.

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