



ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 5.2
IJAR 2015; 1(12): 954-958
www.allresearchjournal.com
Received: 20-09-2015
Accepted: 21-10-2015

Bilal Mohammad Eneizan
Usim University, Malaysia

Assoc. Prof. Kalsom Abd. Wahab
Usim University, Malaysia

Dr. Umami Salwa Ahmad Bustaman
Usim University, Malaysia

Sustainability, green marketing and green economy: Literature review

Bilal Mohammad Eneizan, Assoc. Prof. Kalsom Abd. Wahab, Dr. Umami Salwa Ahmad Bustaman

Abstract

The main aim of this paper is to explain the why the world introduced the concept of sustainability. On the other hand, this paper will explained the green marketing and green economy as a parts of sustainability. The paper is important, as it will enrich the database of the literature regarding the sustainability, green marketing and green economy.

Keywords: Sustainability, Green marketing, Green economy

1. Introduction

1.1 World before Sustainability

The lack of improvements on environmental sustainability has incited debates on sustainable development. Mankind consumes approximately 40% of natural resources each year, which exceeds the amount of resources that can be naturally regenerated in the same period. The supply of crude oil, which is considered the key component of an industrialized economy, has reached the maximum level. Roughly three quarters of global reserves are now covered by oil fields, but the production of oil continues to decline twice as fast as the rate of decline two years ago. More oil fields are being discovered every year, with most of these fields having a small area and an oil reserve that cannot be extracted easily. Although several alternatives to oil have been discovered, these materials have a limited supply. For instance, the production of photovoltaic energy requires several types of minerals with a limited supply and a demand that exceeds their current extraction rate. The international demand for biofuels is impossible to satisfy considering the shortage of land. Moreover, the production of these materials must compete with the production of food in terms of land use. Fossil fuels are considered unsuitable alternatives to oil because of climate change. According to the Intergovernmental Panel on Climate Change, mankind has a long way to go in reducing greenhouse gas emissions to a specific degree to resolve the global warming problem. Governments must implement the necessary changes before 2016 to achieve these environmental goals. The sustainability of the food supply, biodiversity, and general ecosystem is also marred by similar challenges. The modern lifestyle is characterized by a high degree of industrialization and globalization. Therefore, the effects of protein overconsumption, limited supply of alternative resources, and cheap oil on global ecosystems may also affect such lifestyle. Accordingly, the production and transportation of goods using a less amount of energy may affect our lifestyle as well (Lorek and Fuchs, 2013)^[5].

These problems likewise present social challenges. Consumption patterns significantly differ across countries. For instance, the amount of resources that an average European consumes every day is three times greater as that consumed by an Asian and four times greater as that consumed by an African. Moreover, the amount of resources that are consumed by residents of developed countries is 10 times greater than those that are consumed by residents of developing countries. Wide social gaps are likewise observed in these areas, even in developed countries (Lorek and Fuchs, 2013)^[5].

Scholars and environmental activists work collaboratively to achieve sustainable consumption and degrowth. Debates on sustainable consumption focus on environmental problems, whereas debates on degrowth primarily focus on social problems. Despite the differences in their topics, these debates are fully oriented about the two dimensions of the challenges that they are

Correspondence
Bilal Mohammad Eneizan
Usim University, Malaysia

attempting to address as well as the interaction between environmental and social problems (Lorek and Fuchs, 2013) [5].

The global population has reached one billion and six billion in the 19th and 20th centuries, respectively. These figures are expected to increase up to nine billion by 2050. Economic growth and increased consumption rates were virtually impossible to achieve prior to the industrial revolution and the advent of mass production. However, these advancements significantly affect the environment by inciting climate change, reducing biodiversity, and reducing the supply of both renewable and non-renewable resources. Different economies strive for growth by alleviating poverty and improving the quality of life. However, poverty and low living standards continue to plague several countries in Africa, Asia, and Latin America (Reutlinger, 2012) [9].

1.2 Sustainability

Sustainability has recently attracted the attention of both marketing researchers and practitioners. Given that this concept, which is defined as the “development that meets the needs of the present without compromising the ability of future generations to meet their own needs,” is increasingly being adopted by firms, the business norms and regulations in different countries are being drastically changed. These firms aim to achieve economic benefits as well as strive for the wellbeing of their environment and society. Such drastic changes in the objectives of these firms have motivated several publications to rank these firms in terms of their corporate social performance (“100 Best Corporate Citizens” by Business Ethics magazine), environmental performance (“America’s Greenest Companies” by Newsweek), and corporate reputation (“World’s Most Admired Companies” by Fortune magazine). Business and non-business researchers have also begun to investigate sustainability as well as its different aspects. These studies have introduced several new concepts for further research, including corporate social responsibility (CSR), cause-related marketing, corporate citizenship, enviropreneurial marketing, and corporate environmentalism. These findings demonstrate how sustainable business practices are being emphasized in marketing and in other fields (Chabowski *et al.*, 2011) [1].

1.2.1 Definitions of Sustainability

Sustainability involves two key concepts, namely, the needs as well as the technological and social limitations. The concept of “needs” refers to the demands of the poor, which must be prioritized by governments and other authoritative bodies, whereas the concept of “limitations” refers to the restrictions on the ability of the environment to satisfy the present and future needs of individuals (Lorek and Spangenberg, 2014) [6].

1.2.2 Prior research on sustainability

After the World Commission on Environment and Development defined such concept during the late 1980s, several researchers and organizations have begun to rank sustainability as among the most difficult challenges that plague several economies. Globalization has transformed sustainability from a technical concept into a political concept and then into a mainstream business concept. Markets and competition theory identify demand (e.g., customers and interest groups), supply (e.g., parties in the supply chains), and general environment (e.g., regulations, societies, and natural

resources) as the three factors that determine business environments and subsequently form company strategies (Liu *et al.*, 2012) [4]. The establishment of sustainable supply chains aims to address the issues that are related to the triple bottom line (e.g., people, planet, and profit) from the supply perspective (Mollenkopf *et al.*, 2010) [7], whereas the introduction of the green marketing concept aims to determine and target socially and environmentally conscious consumers from the demand perspective (Smirnova *et al.*, 2011) [11].

Although the ethical, societal, and environmental issues in business operations have been investigated since the 1960s, studies on such topics have remained in obscurity until the last few decades. Studies on this area have adopted various theories (e.g., stakeholder theory, political economy paradigm, resource-based view, and institutional theory) and introduced several marketing concepts (e.g., corporate social performance, cause-related marketing, enviropreneurial marketing, and corporate environmentalism). Despite the differences in their theoretical backgrounds and targets, these studies are essentially unified by the sustainability concept that has been frequently associated with the triple bottom line framework, which emphasizes the balance among economic prosperity (i.e., profit), social equity (i.e., people), and environmental quality (i.e., planet) (Leonidou *et al.*, 2013) [3]. Sustainability studies have focused on five different issues to date. First, these studies investigate the drivers of sustainability, namely, the external and internal factors that drive firms to adopt strategies that benefit both the environment and the society. These studies also investigate the external factors that influence the decision of firms to adopt such strategies, including the environmental pressures from the public or the customers, the units responsible for regulating the environment, the media and community triggers, the business environment in general, and several industry-related factors (e.g., reputation, history, and visibility). Moreover, these studies examine internal factors, such as the commitment of top management to environmental issues, the structure and governance of green companies, and the resources of such firms (Leonidou *et al.*, 2013) [3].

Second, these studies investigate how firms manage the sustainability of their practices and strategies. These studies explore how firms create environment-oriented organizational values, how they adjust their blueprints and control systems to overcome the risks that are associated with their adoption of green initiatives, and how they promote green ideologies throughout the organization. They also attempt to characterize sustainable managers in terms of their leadership styles, personal values/attitudes, use of environmental technologies in their business processes, adoption of sustainable reporting schemes and certifications, and measurement of sustainability practices (Leonidou *et al.*, 2013) [3].

Third, these studies investigate how sustainable practices affect the financial, market, customer, operational, shareholder, and social performances of firms. However, the findings of management and marketing studies that investigate such topic remain inconclusive. Conclusive evidence may be generated by adopting longitudinal research designs, but only a few studies adopt such designs. Most studies investigate the effects of sustainability on firm performance from the corporate strategy perspective (e.g., corporate social responsibility practices, green strategies, and eco-orientation), whereas only a few studies have examined marketing strategy issues (Leonidou *et al.*, 2013) [3].

Fourth, these studies investigate the marketing aspects of sustainability, including the incorporation of such aspects into marketing strategies as well as the orientation of the market to sustainable policies for purchasing, distributing, advertising, and promoting products. These studies also attempt to determine how firms integrate environmental issues into their pricing strategies and into their designing of new products to attract more customers. However, these studies remain relatively sparse compared to those studies in other disciplines. The sustainability of several marketing practices remains uninvestigated as well. Although the “marketing mix” paradigm can shed light on the marketing activities of firms, only a few studies have attempted to understand the simultaneous greening of different marketing mix components (Leonidou *et al.*, 2013) [3].

Fifth, these studies have investigated the consumer aspects of sustainability by examining how consumers react to environmental and social issues, including their keenness to purchase sustainable products or support firms that adopt sustainable practices. These studies likewise investigate how the sustainability practices of firms affect the perceptions and evaluations of their consumers, how consumers identify themselves with social and environmental firms, and how consumers determine the motives behind the sustainability practices of firms. Although these issues have been investigated in a significant amount of literature, top-tier marketing journals have published only a few articles on these topics (Leonidou *et al.*, 2013) [3].

1.2.3 Sustainability and marketing

The sustainability concept has driven businesses to review their responsibilities from the triple bottom line (TBL) dimensions, namely, environmental quality, social equity, and economic prosperity. These dimensions may also serve as the foundation for firms to develop their market-oriented resources, capabilities, and competitive advantage. Environmental quality refers to those business activities that do not require the consumption of natural resources. Social equity reminds firms about how their activities affect the society, community, education, and charity. Economic prosperity creates value for and improves the financial performance of a firm. Competitive firms can help improve the quality of life of individuals by providing them with employment opportunities and by fulfilling their needs. The implications of these dimensions on the activities of firms, the responses of customers, and the performance of businesses have been addressed in several marketing studies (Chabowski *et al.*, 2011) [1].

1.2.3.1 Environmental dimension

Studies on the environmental dimension of sustainability mostly focus on the precursors of adopting environmental strategies and on the effects of such strategies on the performance of firms. The increasing prevalence of green practices and green purchasing behaviors in the marketplace has been observed in some of these studies. The successful adoption of green practices requires the presence of policy entrepreneurs, the support of top managers, and the implementation of necessary regulations. Several studies have extended this research topic by investigating the precursors and effects of green practices on the integration of environmental strategies. Several antecedents of enviropreneurial marketing have also been examined to

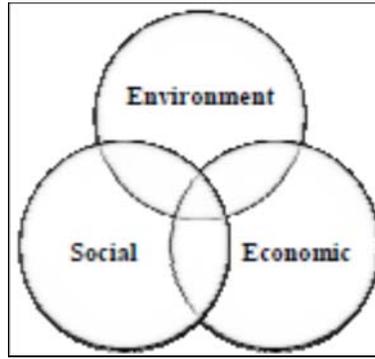
determine how three factors, namely, regulatory power, competitive intensity, and internal polity, affect the performance of firms. The continued operationalization of environmental marketing strategy modeling is driven by the fact that adopting enviropreneurial strategies may also result in the superior performance and reputation of firms. A study has identified the commitment of top managers as the most influential driver of corporate environmentalism by investigating the importance of environmental strategies and of external and internal environmental orientation. By examining the tenets of resource-based view (RBV) within the enviropreneurialism context, another study has indicated that the environmental orientation of firms improves the sales of their products and enhances their competitive advantage. Given that environmentalism and firm performance are identified as non-mutually exclusive factors, the environmental dimension must be further investigated in future sustainability studies (Chabowski *et al.*, 2011) [1].

1.2.3.2 Social dimension

CSR is an alternative capability-based resource that firms can use to enhance their green image. Accordingly, the CSR activities of firms have been thoroughly investigated in sustainability research. The CSR of firms has been examined simultaneously with their cause-related marketing practices, the responses of their customers to such initiatives, and the effects of these activities on their business performance. The successful implementation of social-oriented initiatives depends on the choices, perceptions, and support of customers as well as the motivation of employees. Several studies have also attempted to relate CSR with corporate social performance (CSP) by investigating how sustainability directly affects or moderates the performance of firms. The effects of consumer-based CSR associations, which “reflect the organization’s status and activities with respect to its perceived societal obligations,” have been the focus of an extant study. Another study has attempted to understand how brand competitiveness and perceived corporate motives moderate the relationship between CSR and firm performance. These studies all view the perceptions of consumers as crucial to the successful implementation of social sustainability strategies (Chabowski *et al.*, 2011) [1].

1.2.3.3 Economic dimension

Studies on the three dimensions of sustainability have mostly focused on the economic dimension, with the relationship among the resources, capabilities, assets, and performance of firms being the most popular research topic. Some of these studies have attempted to determine the necessary resources and capabilities for enhancing the competitive advantage and improving the performance of firms. Several studies adopt RBV and resource advantage theory to investigate how capability-based resources, such as organizational learning, marketing expertise, enviropreneurial marketing, entrepreneurial orientation, and market orientation, can improve the business performance of firms. Identifying the distinctive characteristics of markets and the capabilities of customers likewise plays an important role in improving firm performance. These studies all indicate that the absence of such capabilities may result in the competitive disadvantage of firms, which will subsequently hinder them from realizing sustainability in their practices (Chabowski *et al.*, 2011) [1].



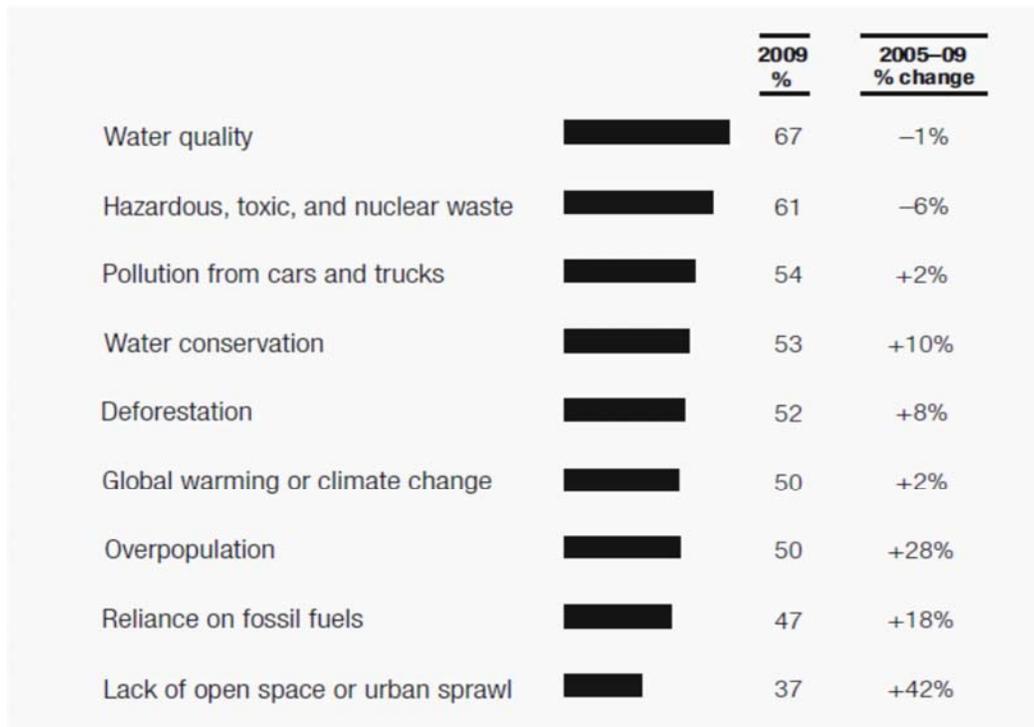
Sustainable marketing framework (Adopted from Reutlinger, 2012) ^[9]

1.3 Environmental issues

The increasing concern of individuals toward sustainability has turned greening into a mainstream business concept. The

public gradually begins to understand how sustainability can affect their lives and their future, which subsequently drives them into action (Ottman, 2011) ^[8].

The following figure shows the percentage of U.S. adults who show concern toward various environmental issues



(Adopted from Ottman, 2011) ^[8]

The increasing concern of individuals toward their environment has been driven by their belief that the planet is continuously being harmed by their activities. Green marketers casually address such concerns in their advertisements by featuring elements that are reminiscent of the past, such as babies, daisies, and planets. However, these marketers are slowly realizing the genuine concern of their consumers toward the low sustainability of the planet as well as its effects on their health and children. Consequentially, health-related issues, such as water quality, hazardous waste, air pollution, water supply, global warming, and overpopulation, continue to dominate the environmental concerns of consumers (Ottman, 2011) ^[8].

1.4 Green economy

Environmental policies have recently prioritized green economy in their agenda (Ciocoiu, 2011) ^[2]. This topic covers

the usage of environment-friendly products, the adoption of a green lifestyle, the utilization of organic products, renewable energy sources, and clean technologies, the efficient management of water, land, and other natural resources, and the reduction of waste materials. The emergence of global warming has increased the environmental concerns of people to an all-time high. This phenomenon has led to the introduction of green businesses into the marketing arena. These firms are characterized by their incorporation of green philosophy in each of their practices. In this regard, the adoption of green business strategies is no longer considered a firm-centric factor, but rather a practice that can affect the future of mankind. Companies have recently prioritized the adoption of socially responsible strategies in their agenda to secure their competitive advantage and sustainable growth. Several authors have promoted the adoption of such strategies, arguing that firms may enhance their credibility, ward off

imitators, attract more customers, and gain more profits by selling environment-friendly products and by practicing a green philosophy (Saxena and Khandelwal, 2012) ^[10].

1.4.1 Definition of green economy

Scholars and practitioners consider green economy as a framework that can be used to sustain economic growth and to address other sustainability issues, such as climate change (Ciocoiu, 2011) ^[2]. A “green” economy may also be perceived as a sustainable one. The concept of green marketing specifically focuses on the fundamental changes that must be applied to ensure the sustainability of economic systems (Ciocoiu, 2011) ^[2].

1.4.2 Background of green economy

The demand for a green economy is being considered in policy debates every decade since the early 1970s. Although individuals and firms are beginning to green their production and consumption behaviors, the implications, advantages, and disadvantages of these behaviors remain unclear (Lorek and Spangenberg, 2014) ^[6]. A green economy must be established through the adoption of sustainable business practices (i.e., green marketing strategies) rather than the utilization of non-renewable resources and ineffective strategies. Green firms aim to continue their financial, business, and other economic activities without affecting their environment (Ciocoiu, 2011) ^[2]. In other words, a green economy aims to formulate a profitable method for protecting the environment. Green economies must also address issues on global warming, resource use, deforestation, and pollution reduction (Ciocoiu, 2011) ^[2].

Several industrialized countries have effectively solved their environmental issues through technology. For instance, some of these countries prevented the damaging effects of SO₂-causing acid rain by requiring large combustion plants to install scrubbers. Catalytic converters were also used to minimize NO_x. Moreover, several regulations were implemented to change the composition of nitrate-containing detergents that cause eutrophication. Japan has introduced several market mechanisms to reduce the amount of energy that is being consumed by home appliances. Despite greening the production processes (sustainable production) or the products (eco-design), these technological solutions are deemed insufficient in addressing environmental issues. Some countries avoid pollution through the outsourcing of labor. For instance, these countries may avoid the detrimental effects of steel production on their environment by installing their steel plants in other countries. Moreover, some of these technological solutions have resulted in other problems, such as the traffic jams that are caused by the creation of highways in urban areas. In other words, these solutions merely accelerate the production process rather than address the environmental consequences of such activities (Lorek and Spangenberg, 2014) ^[6].

As discussed in Rio+20, solely greening the economy will not resolve the environmental issues that the world is currently facing. However, this process signifies the transition of an economy into a sustainable society. As indicated in the 1992 Rio Principles and in Agenda 21, the transition into a sustainable society requires a heightened sense of justice and democracy, the empowerment of marginalized groups, and collaboration among nations (Lorek and Spangenberg, 2014) ^[6].

A sustainable economy lies on the philosophical basis that all men have the equal right to utilize natural resources. This entitlement is followed by the obligation for individuals to share these resources with one another and to preserve them for future generations to use (intergenerational justice). However, philosophers and politicians are still debating about what the current generation “owes” to the future generation. What are the limits? Should the entitlement to resource use be given individually or collectively? What are the most efficient distribution mechanisms? How can the overshoots of affluent countries, such as their ecological debt, be resolved? To avoid the occurrence of a “temporal dictatorship,” the current generation must carefully determine the preferences of the future generation. The availability of natural resources must be maintained for the future generation by limiting the use of non-renewable resources by the current generation (Lorek and Spangenberg, 2014) ^[6].

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