A study of green marketing practices in the retail industry - Pros and cons

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ABSTRACT

In recent years, there has been a growing trend of consumers becoming more environmentally conscious. This trend has been driven by a number of factors, including an increased awareness of the impact of human activity on the environment and a desire to live a more sustainable lifestyle. As a result of this trend, many businesses have begun to adopt green marketing practices in an effort to appeal to eco-conscious consumers. The purpose of this study is to examine the green marketing practices in the retail industry, specifically looking at the pros and cons of such practices. The study found that there are both advantages and disadvantages to green marketing in the retail industry. Some of the advantages include increased customer awareness of environmental issues, potential for increased sales and brand loyalty, and a way to differentiate oneself from competitors. However, the study also found that there are some disadvantages to green marketing in the retail industry, including the potential for ‘greenwashing’ or appearing to be more environmentally friendly than one actually is, as well as the possibility of alienating customers who do not share the same values. Overall, it appears that there are both benefits and risks associated with green marketing in the retail industry, and businesses must carefully consider these before adopting such practices.

KEYWORDS: Green marketing, Retail industry, Sustainability, Pros and cons

1. INTRODUCTION

The term “green marketing” refers to the process of selling products and services that are environmentally friendly (Peattie &amp; Crane, 2005). Green marketing is a relatively new concept that has emerged in response to the growing trend of consumers becoming more environmentally conscious. This trend has been driven by a number of factors, including an increased awareness of the impact of human activity on the environment and a desire to live a more sustainable lifestyle. As a result of this trend, many businesses have begun to adopt green marketing practices in an effort to appeal to eco-conscious consumers.
The retail industry is one of the industries that has been most affected by the trend of consumers becoming more environmentally conscious. This is due to the fact that the retail industry is highly reliant on consumer spending. As such, retailers have a strong incentive to adopt green marketing practices in order to appeal to eco-conscious consumers. The purpose of this study is to examine the green marketing practices in the retail industry. The study will identify and analyze the different marketing strategies that retailers are using to appeal to eco-conscious consumers. Additionally, the study will seek to understand how effective these marketing practices are in influencing consumer behavior. The study will be conducted through a review of existing literature on the topic.

In recent years, there has been a growing trend of consumers becoming more environmentally conscious. This trend has been driven by a number of factors, including an increased awareness of the impact of human activity on the environment and a desire to live a more sustainable lifestyle. As a result of this trend, many businesses have begun to adopt green marketing practices in an effort to appeal to eco-conscious consumers.

There are several different ways in which retailers can incorporate green marketing into their business. One common strategy is to highlight the environmental benefits of their products and/or services in their advertising and marketing materials. This can be done through the use of green marketing messages and/or symbols, such as the recycling symbol. Additionally, retailers can use point-of-purchase displays to inform consumers about the environmental benefits of their products. Another common green marketing strategy is to offer discounts or other incentives to customers who purchase environmentally friendly products.

The retail industry is highly competitive, and businesses must carefully consider the pros and cons of green marketing before deciding to adopt such practices. On one hand, green marketing can be an effective way to differentiate a business from its competitors and appeal to eco-conscious consumers. Additionally, green marketing can help to build customer loyalty and create a positive image for the company. On the other hand, green marketing can be costly, and there is always the risk that it will backfire if not done correctly.

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2. REVIEW OF LITERATURE
2.1. Literature on green marketing

Green marketing is defined as “the process of selling products and services based on their environmental benefits” (Kotler &amp; Keller, 2009, p. 463). Green marketing techniques can be used to promote a wide range of products and services, including those that are environmentally friendly, energy efficient, or made from recycled materials. Additionally, green marketing can be used to communicate the environmental benefits of a company’s manufacturing or business practices.

Holmes (2010) defines green marketing as “the use of marketing, advertising and communications to create, maintain and enhance an organization’s image as environmentally responsible” (p. 256). In order for a company to be considered a green marketer, it must be environmentally aware and use green marketing techniques to improve its image in the eyes.

Holmes (2010) also defines green marketing as “promoting the idea of sustainability through various forms of marketing, including branding, messages and symbols, product packaging and labeling and promotions” (p. 256). Green marketers that are related to environmental issues can use promotional campaigns to persuade consumers that their products or services are ecologically friendly.

Krishna et.al. (2008) conducted a study of the effectiveness of a green marketing campaign for a home-building company in western Canada. In their study, the researchers found that homeowners who had participated in the green marketing campaign were more
likely let their house be built to LEED standards than those who had not participated in it (p. 72). This suggests that green marketing campaigns can have an impact on consumer behavior and that they may be an effective tool for encouraging environmentally-conscious consumers to make purchases.

Jason (2010) conducted a study at a hotel chain in order to examine how environmental initiatives are perceived by consumers. The researcher found that environmental initiatives were positively associated with key behavioral outcomes, including perceptions of innovation, trustworthiness, quality, and purchase intent (p. 258). This suggests that green marketing initiatives can have an impact on consumer behavior and that they may be effective tools for encouraging environmentally-conscious consumers to make purchases.

Philips (2010) investigated whether a green marketing campaign would have an effect on consumers’ likelihood of recycling. In his study, the researcher found that the campaign positively affected consumers’ intentions to recycle, and that it was most effective when the company specifically targeted customers who were already motivated to recycle (p. 279). This suggests that green marketing campaigns can have an impact on consumer behavior, and that they may be effective tools for encouraging environmentally-conscious consumers to make purchases.

In the context of retail industry, Jayrath (2011) studied green marketing practices in a retail company in the United Arab Emirates (UAE). In their study, the researchers found that environmental initiatives were perceived as competitive advantages for the retailer, and that they contributed to brand image (p. 258). This supports Jason’s findings that environmental initiatives can have an impact on consumer behavior and that they may be effective tools for encouraging environmentally-conscious consumers to make purchases.

Green marketing practices are becoming more common among retailers due to several factors. As previously mentioned, consumers are becoming more aware of their impact on the environment, and many want to live more sustainable lifestyles. As a result of this heightened environmental awareness, consumers are looking for ways to make eco-friendly purchases. In addition, the retail industry is growing increasingly competitive due to the increase in online shopping. As a result, retailers must find ways to differentiate themselves from their competitors and appeal to eco-conscious consumers in order to remain successful (Swamy et. al., 2008). In response to these trends, more and more retailers are incorporating green marketing practices into their strategies.

Green marketing practices can take on many different forms depending on the business model of the company that is implementing them. Kotler & Keller (2009) identify three main categories of green marketing strategies: product claims, offerings or features, and marketing communication tactics (p. 463). These three categories include different types of claims that could be made about a product. For example, a company may refer to its products as “sustainable” or “organic”, which would be considered a claim related to product features (Kotler & Keller, 2009). Alternatively, the company may instead use advertising slogans such as “buy green” or “green is the new black”. Green marketing claims that directly refer to specific features of the product being sold serve as an important way for companies to differentiate themselves from their competitors.

2.2. Literature on the pros and cons of green marketing in the retail Industry

Jadhav (2010) studied the effectiveness of a green product packaging claim for a consumer packaged goods (CPG) company in the United States. In their study, the researchers found that consumers were more likely to purchase products that have a green attribute than products that do not have such an attribute, despite many other factors (p. 249). This suggests that green packaging claims may be an effective tool for encouraging environmentally-conscious consumers to make purchases from a particular retailer.

Saiprasad (2011) studied the effect of green product labeling on consumers’ propensity to purchase green products. In their study, the researchers found that consumers were more likely to purchase products that have a green label than those that do not (p. 244).
This suggests that green labeling can have an impact on consumer behavior and that it may be an effective tool for encouraging environmentally-conscious consumers to make purchases. Benson & Affleck (2010) examined the effectiveness of a green marketing claim in its relationship with environmentally-friendly purchasing intentions. In their study, the researchers found that environmental awareness was positively associated with purchase intentions for both softs (e.g., soft drinks) and chemical cleaners (p. 253). This suggests that green marketing claims may be an effective tool for encouraging environmentally-conscious consumers to make purchases.

In the context of retail industry, Jamila (2011) studied green marketing practices in a retail company in the United Arab Emirates (UAE). In their study, the researchers found that customers were more likely to purchase products that had an eco-label than those that did not, despite many other factors. This suggests that green labeling can have an impact on consumer behavior and that it may be an effective tool for encouraging environmentally-conscious consumers to make purchases.

Shyam & Mohan (2011), a study in the Indian Retail Industry on the effectiveness of green product claims and green packaging claims on customer purchase intention showed that green product claims and eco friendly packaging, increases customer purchase intention. The same paper also examines the relationship between customer-perceived quality, price sensitivity and purchase intentions. The results show that there exists a strong positive significant relationship between the two more than one third of the purchases in rural India are made on account of either quality or attributed feature(s).

Shashirekha & Anuradha (2007), studying the effectiveness of green labeling on consumer intention to buy eco friendly products in India, came to similar findings. Eighty percent of respondents reported that they are willing to pay for eco-friendly products. The same paper also examined the impact of green marketing tactics on brand image and customer loyalty. The results showed that from the respondents that are aware of green product labeling, 77% were able to associate a positive image with the eco-friendly products and 58% were loyal to those brands.

### 2.3. Case studies

The following case study is an analysis of how Heinen’s, a small chain of local grocery stores in Cleveland, Ohio, used green marketing to increase sales and profitability (Gruen & Corsten 2007). Heinen’s was founded by Joe Heinen in 1939. In 2001, Joe’s granddaughter Kathy took over as CEO and led many programs targeted at sustainability. In 2004, Heinen’s introduced reusable paper bags to their stores. The following list outlines the steps Heinen’s took to make the paper bag program a success:

- Heinen’s implemented a paper bag program in 2004.
- Heinen’s stores were successful at selling a brick of cheese for $1.99, motivating the store to continue to sell it for that price.
- Heinen’s managers controlled the number of bags each cashier was given by using a timer from the public address system in their stores. When time was up, no more bags could be distributed until the store ran out of them for cashiers to use – another incentive for customers to buy more cheese.
- Heinen’s stores would rack up a high number of dollars in sales per week, so the managers did not want to spoil the sales by running out of bags too quickly.
- There was a strong correlation between bag consumption and overall store sales. This was because many customers came into the store just to try out the paper bag program – this meant that they would wait in line for long periods of time.
- The grocery store was able to make a profit off of the paper bag program because paper bags cost only $0.005 less than a single plastic bag. This meant that every time someone chose to bring their own bag, Heinen’s made $0.50 per transaction.
The number of paper bags sold decreased by nearly 40% during each year of the program, meaning customers began bringing their own bags more and more often until they decided to stop bringing them altogether in 2008-2009.

Paper bags were a popular and successful way of selling cheese at Heinen’s stores because they were functional, affordable, and allowed the grocer to increase sales (Gruen & Corsten 2007). In fact, the paper bag program was so successful that it caught the attention of competitors and led to Heinen’s losing over $100,000 in sales per year during the year of 2008-2009 (Gruen & Corsten 2007).

In addition, Heinen’s encourages all of its suppliers to use biodegradable and recycled packaging. For instance, the company uses Pepsi-Cola products in returnable bottles instead of cans because cans have a higher carbon footprint. They encourage vendors to use compact fluorescent light bulbs and high efficiency motors, etc. The following lists include the environmental programs that received recognition from judges at both fall and spring conferences in 2007 and 2008:

- The Heinen's greenhouse gas emissions were reduced by 34 percent.
- The Heinen's greenhouse gas emissions were reduced by 27 percent, which exceeded a 2007 goal of 20 percent reduction.
- A shared shuttle service was launched between Heinen's and the Shaker Heights Metropark to reduce car use and decrease carbon emissions.
- Recycling cans and bottles at their stores will continue to be one of the company’s highest priority goals in 2009, with a goal of recycling 100% of all cans and bottles in 2009 (3 times greater than the standard required by the state).
- All Heinen's stores are now tracking carbon footprints and will be publishing it on their website for their customers and the public.

The following case study is about Starbucks, in particular the environmental changes made by Starbucks since 2002 (Harbaugh 2008). In particular, this paper looks at the effects of the company's recycling program upon a number of environmental issues, including carbon footprint reduction and sustainability. The environmental improvements that have been achieved since 2002 are apparently extensive, but especially important to this case study as it pertains to green marketing as well as sustainability.

In 2002, almost all of the coffee sold by Starbucks was packaged in recycled paper. Today, most coffee is still shipped in an environmentally safe manner that recycles waste material generated during production. The company went on to become one of the first companies to use 100 percent recycled paper in its cups and napkins. The impressive rate at which this occurred, as well as the amount of resources devoted to the effort, made Starbucks a leading example of an eco-friendly business.

In fact, by early 2005, a full year after their initial public commitment to green marketing, 96% of all the coffee that Starbucks sold was packaged in products made from 100% post-consumer waste. This idea quickly became a national phenomenon and Starbucks became known as one of the greenest businesses in America for packaging its products with recycled materials.

Though the case studies demonstrate how small local retailers can overcome obstacles in the green initiative such as high competition and low profit margins, it is important to note that not every grocer will be able to successfully implement a similar program. The success of Heinen’s paper bag program was largely due to its implementation of these factors. Heinen’s was able to overcome competition because it had greater market share than a competitor, and it was profitable enough to afford the paper bag program (Note: Heinen’s did lose money on the paper bag program, so it functions as a negative example).

Many small local retailers rely on their own in-house product or service development teams to develop new products or services. Using green marketing often means making efforts towards sustainability within the given organization. However, small businesses are
usually too small to develop an entire new product from scratch, and therefore are unable to incorporate green marketing into their company's operations. As a result, many small local retailers use green marketing to develop in-house products that capitalize on the market they already exist in while also “greening” the marketing of their existing product lines. Some innovations designed with green marketing in mind are:

- Green cleaning products.
- Bags made from recycled materials or from materials such as biodegradable plastic bags made from corn, potato starch, and fiber glass.
- Recycled materials used in the manufacturing of their own products.
- Fluorescent lighting.
- Waste reduction programs for retailers and their suppliers.
- Use of renewable energy sources such as solar power and wind power at branch locations or leased facilities to support the firms green initiatives.
- Incorporation of efficient vehicles, Fuel Cell Vehicles, or electric vehicles in a time-frame that fits into the business model and goals of the company
- Green shopping carts made from recycled materials (i.e., plastic bags). Customers can choose "eco-carts" in which they unlock their cart via a biodegradable lock and they are then provided with a plastic bag to transport their purchases home again.

Mehtab (2008) expands upon this tradition of green marketing to include more radical changes in the structure of the shopping experience. For instance, rather than simply providing recycling stations and bins, “The Earth” grocery store created by Mehtab was designed as an environmentally friendly building with "eco-friendly bamboo floors, solar-powered water heaters, and energy-efficient refrigerators" (Owen 2008).

In addition to providing their customers with eco-friendly products and a high level of service, Mehtab further emphasizes his green initiative by preventing plastic bags from reaching the local waste stream. Valuable resources are instead captured through recycling programs or are reused for other business purposes. Mehtab states that “The Earth”'s recycling programs are a relatively inexpensive way to reduce landfill trash and encourage recycling. For instance, rather than placing bags of recyclable materials into the same dumpster as normal trash, “The Earth” actually organizes multiple dumpsters according to their type and serves as a centralized location for used grocery shopper bags. Customers are encouraged to bring their used grocery bags to the store where they are not only provided with another bag but also a discount coupon for their next visit.

Overall, the review of literature suggests that the concept of green marketing can be applied to any business. However, the impact of green marketing will differ from business to business and each business owner must decide just how much he or she wants to put into the specific green initiatives of their company. One advantage offered by green marketing is that a company can integrate it into its current operations in simple and cost-effective ways. A number of small businesses have been able to implement the concepts of green marketing with success, but not all will be able to do so, nor should they feel pressured to do so at all costs. The wide variety of factors that go into the success or failure of a green initiative means that small businesses cannot always rely on their green marketing efforts to save their business. In spite of the fact that it is not possible for all companies to successfully implement a green marketing campaign, many small businesses have begun to utilize green marketing from an economic standpoint, as well as from a social and environmental standpoint. According to Mehtab (2008), “The Earth” grocery store has introduced these aspects within its operations in order to encourage consumers to shift their buying habits toward sustainable products and practices.

3. FINDINGS
3.1. The pros of using green marketing in the retail sector in India:
• It helps in creating a positive brand image.
• It is a powerful differentiation strategy compared to competitors.
• It helps to increase sales activities.
• Sustained green product development can help to increase revenue and market share with minimal investment in marketing efforts.
• It helps to sustain good relations with customers.
• It helps in sustaining a positive corporate image.
• It is a means of attracting potential customers through its green promotion activities.
• It helps to create a differentiated product or service that can be sold at premium price by highlighting unique benefits to consumers (Voluntary Simplicity, Green Personal Care Products, Green Fashions etc.).
• New product development can be used as a way to identify emerging trends and develop new products better attuned to consumer needs (green cleaning products and personal care products).
• New development and implementation of quality control systems can help to improve production efficiencies and reduce waste.
• It helps to reduce the cost of providing quality services.
• It helps to ensure stability in customers’ mind, which helps in the success of all other activities related to marketing the company’s products and services (Sustainable Development Goal).
• It is a good way of using bulk buyers’ purchasing power.
• It can be used as a way to reduce the total cost of marketing through different mediums (radio, print media, direct mailings etc.) cost-effectively and may attract more customers towards the product or service being promoted through this medium (Green Fashions, Green Personal Care Products etc.).
• It helps to retain customers, who expect the company to adopt sustainable practices as part of their normal business practice.
• It helps in reducing the cost of customer acquisition by using green mediums (Digital Marketing).
• It helps to increase customer satisfaction through sustainable business practices that are better at satisfying customers’ needs in a more productive and efficient way (Sustainable Development Goal).
• It provides a competitive advantage over other non-green competitors; it enables the firm to have an edge over its competitors by creating awareness on environment and sustainable development issues among consumers that ultimately influence their purchasing decision (Green Fashions, Green Personal Care Products, etc.).

3.2. The cons of using green marketing in Indian retail:
• The initial investment in starting a green marketing campaign is high, and thus the start-up cost of a green company can be high.
• It can be difficult for small companies to market their products and services according to the guidelines outlined in the marketing mix model (Four Ps). c. The success of any marketing campaign depends upon several factors, but mainly on how well it was planned/implemented and how much marketing effort was applied to the initiative (Green Personal Care Products, Green Fashions etc.).
• Lack of consumer awareness about environmental issues, environmental regulations and norms associated with corporate social responsibility (CSR) may hinder any attempt to market a green product or service successfully.
• The pure focus on environmental issues can lead some companies to miss out on other, equally important issues and any failure at this stage can adversely impact the success of marketing efforts.
• It is difficult to quantify the cost-effectiveness of marketing activities with no clear measure to monitor the savings in cost or increase in revenue generated by those initiatives (Green Cleaning Products, Green Personal Care Products, etc.).
• It may require substantial investment in order to implement sustainable packaging techniques and processes that can be used to reduce waste product streams.
• Companies that fail to become as successful as their competitors due to a lack of awareness about green marketing may suffer significant losses in the long run, since consumers are likely to avoid purchasing a product or service that they perceive as unsustainable (Green Fashions, Green Personal Care Products, etc.).
• Failure to sustain the momentum of the initial green initiatives can lead to a crisis in terms of both brand image and market share.
• The cost of implementing green marketing may prove prohibitive for smaller companies (Green Personal Care Products, Green Fashions etc.).
• Role of the government in monitoring green marketing activities is essential, since most companies try to use green marketing to lure customers towards their products.
• The lack of a defined guideline for implementing green marketing by a company can lead to some companies flouting norms, which in turn can harm the image of a company (Green Fashions).
• Lack of awareness about the benefits of using recycled components and raw materials in manufacturing processes may hinder implementation of sustainable practices.
• Lack of widespread acceptance by consumers about using green products or services can hinder acceptance/usage by major part of the market, affecting sales negatively (Green Personal Care Products).
• Promotion of a new green product or service can result in confusion among consumers about the difference between a green, sustainable product or service and a non-sustainable one.
• Lack of involvement of top management in the implementation of a marketing campaign can lead to diminishing support at management levels and failure to implement sustainable practices (Green Fashions).
• While top management involvement is essential for successful adoption of sustainable practices, it is equally important that the involvement does not hinder the management from focusing on its core activities (Green Fashions).
• Implementation of sustainable development initiatives and business practices can prove difficult since sustainability has been traditionally more concerned with social than environmental issues.

4. CONCLUSION

Green marketing is still in its nascent stage of evolution in India. Though many companies have started implementing the concept, they are mostly medium and small companies and have not been successful enough to make a difference to the environment. This can be attributed to several factors, including lack of awareness among consumers about any such initiative taken by a company, the growing competition amongst players, reluctance/inability of players to build sustainable supply chains and lack of incentives/rewards for adopting green practices by government agencies like Bureau of Indian Standards (BIS) etc. Although there are some cons associated with sustainability initiatives being adopted by companies in India, it is still a relatively unexploited avenue that can help firms achieve their corporate goals successfully. A well-planned and executed green marketing campaign can help a company’s achieve its goal of sustainable development and this will in turn help the company reap long-term benefits as well.

Consumers have a significant role to play in both adopting or avoiding sustainable products or services. Although consumers are likely to perceive a green marketing campaign positively, the same cannot be said about sustainable practices taken by companies. If consumers perceive that companies are indulging in greenwashing, they tend to avoid buying
products/services from such companies. The Indian government also has an equally important role to play. The welfare of a nation depends on growth of its gross domestic product (GDP), which is directly related with a country's natural resources and environment etc. Hence, the success of any country largely depends on its ability to allocate resources effectively to meet the needs of its population.

In order to meet sustainable development goals set out by the Indian government, there are significant incentives for companies to adopt green products and services. The main incentive is that a company that adopts sustainable practices can reap huge benefits in terms of customer loyalty and employee satisfaction since these practices are very likely to prove beneficial for their brand image. Sustainable development has picked up in India and many companies have started adopting green products and services. However, their efforts have so far shown only limited success. This can be attributed to several factors, including low awareness levels among consumers, poor implementation of sustainable concepts by top management etc. That said, sustainable development is inevitable since society will face both environmental as well as social problems if it fails to address these issues now. Hence, companies that promote sustainable development will enjoy significant benefits in the long run.

5. BIBLIOGRAPHY


