



# SUSTAINABLE GREEN MARKETING PRACTICES IN INDIAN AUTOMOBILE INDUSTRY UNDERSTANDING IMPLICATIONS IN CONTEXT THROUGH LITERATURE REVIEW

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**Abstract :** *As consumers are becoming more concerned with the natural environment, businesses have begun to modify their behaviour in an attempt to address society's environmental concerns through 'green marketing'. This study is an attempt to understand the green marketing concept, its relevant aspects and specifically the practices and implications of green marketing in automobile industry in Indian context through an extensive literature review. While understanding the concept and significance of green marketing, insights have been provided about the global perspective on green marketing. The environment friendly practices in the automobile industry have been identified and their benefits along with the challenges for implementation have also been discussed. The study also attempts to identify the green practices in certain other industrial sectors and discusses the relevance and importance of green marketing in the context of sustainable development.*

**Keywords:** Green Marketing, Automobile Industry, Green Practices, Sustainable Development

**Introduction** Global warming<sup>o</sup> and „Ozone Layer Depletion“, „Greenpeace“, are the terms almost everyone is quite familiar now. As people become more concerned with the natural environment, businesses have begun to modify their behaviour in an attempt to address society's "new" concerns. Some businesses have been quick to accept concepts like environmental management systems and waste minimization, and have integrated environmental issues into all organizational activities. This study is an attempt to understand the green marketing concept, its relevant aspects and specifically the integration of green marketing in automobile industry in Indian context.

One business area where environmental issues have received a great deal of discussion in the popular and professional press is marketing. Terms like "Green Marketing" and "Environmental Marketing" appear frequently in the popular press. Many governments around the world have become so concerned about green marketing activities that they have attempted to regulate them (Polonsky 1994a). For example, in the United States (US) the Federal Trade Commission and the National Association of Attorneys-General have developed extensive documents examining green marketing issues (FTC 1991, NAAG 1990).

## WHAT IS GREEN MARKETING?

Green Marketing refers to holistic marketing concept where in the production, marketing, consumption and disposal of products and services happen in a manner that it is less detrimental to the environment. According to American Marketing Association, green marketing is “the marketing of products that are presumed to be environmentally safe for the consumers”. Thus green

marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising. Other similar terms used are Environmental Marketing and Ecological Marketing. Green Marketing is the study of the positive and negative aspects of marketing activities on pollution, energy depletion and non-energy resource depletion (Karl E. Henion II, and Thomas C. Kinnear 1976b 1). 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 (Pride and Ferrell, 1993). Green marketing is also defined as the application of marketing tools to facilitate exchanges that satisfy organizational and individual goals in such a way that the preservation, protection, and conservation of the physical environment are upheld (Mintu and Lozada, 1993). Through this definition, Mintu and Lozada note that green marketing goes beyond image building activities. Green or Environmental Marketing consists of all 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. Green Marketing refers to holistic marketing concept where in the production, marketing, consumption and disposal of products and services happen in a manner that it is less detrimental to the environment. (Polonsky 1994b, 2).

### **OBJECTIVES OF THE STUDY**

This study is an attempt to understand the green marketing concept, its relevant aspects and specifically the practices and implications of green marketing in automobile industry in Indian context through an extensive literature review. The study also attempts to identify the green practices in certain other industrial sectors and discusses the relevance and importance of green marketing in the context of sustainable development.

### **SIGNIFICANCE OF GREEN MARKETING**

The question of why green marketing has increased in importance is quite simple and relies on the basic definition of Economics: Economics is the study of how people use their limited resources to try to satisfy unlimited wants. [McTaggart, Findlay and Parkin 1992, 24] Thus mankind has limited resources on the earth, with which she/he must attempt to provide for the worlds' unlimited wants. (There is extensive debate as to whether the earth is a resource at man's disposal, for example, see Gore 1993.) While the question of whether these wants are reasonable or achievable is important, this issue will not be addressed in this paper. In market societies where there is "freedom of choice", it has generally been accepted that individuals and organizations have the right to attempt to have their wants satisfied. As firms face limited natural resources, they must develop new or alternative ways of satisfying these unlimited wants. Ultimately green marketing looks at how marketing activities utilize these limited resources, while satisfying consumers wants, both of individuals and industry, as well as achieving the selling organization's objectives.

### **GREEN MARKETING: GLOBAL PERSPECTIVE**

A growing number of companies are making the paradigm shift in values - from anthropocentric to biocentric (which means from company centric to eco centric) not only because it is the right thing to do environmentally, but it synergistically benefits the bottom line. Ciba-Geigy, Coca Cola, ConAgra, Dow, Du Pont, Dwight-Church, Electrolux, S.C.Johnson, Kroeger, McDonald's, Mitsubishi, Norsk Hydro, Nippon Steel, Pacific Gas and Electric, Procter & Gamble, 3M, and Westinghouse are just a few of the companies that have experienced the benefits of a biocentric economic philosophy (Kleiner,1991; Porter,1991).But the battle has just begun. There is much work to do and time is not on our side. These companies and many of their colleagues have begun the journey. There are many miles yet to go and the path is strewn with many stumbling blocks-ecological, economic, technological, political, and cultural. Marketers, because of their catalytic position can and should take a leadership position; not only with their companies' profit, but to preserve the earth and its biosphere. The old ways are no longer adequate. It's time to think a new. We need to reorder our values to a paradigm that recognizes the partnership of humankind and earth. If humans are to have harmony with the earth, its resources, and its biosphere, then we should have the foresight to appreciate its underpinning character. We need

each other, not only for survival but also for continued growth-economically, socially, mentally, biocentrically, and spiritually (Ginsberg and Bloom, 2004). In view of global climate change, Honda Japan strives to be a leader in environmental and energy technologies through its product development, production, and other activities. It is committed to develop products with the lowest-in-use CO<sub>2</sub> emissions through corporate activities. BMW reduced use of resources and emissions levels per vehicle by 26% between 2006 and 2010. This figure exceeds the target set for 2010. Korean Hyundai Motor adopted a zero wastewater discharge system at its plant to become a clean production facility. They have introduced a comprehensive manufacturing friendly, an automobile industry is trying to cope with the challenge of implementing ecology in holistic way from production to consumption due to growing concern of consumers. Automobile manufacturers therefore need to strike a difficult balance between competing objectives: to mitigate climate change, reduce urban air pollution, enhance energy security and strengthen the competitiveness of national auto industries.

The main purpose of the green marketing is to strengthen ecological marketing strategy by providing more ecological products as well as becoming more environmental friendly while producing those goods. (De Craecker 2009) The car manufacturers are the second biggest actors of the pollution in the world, mostly by the use that the consumers do of their products. Transportation accounts for about 23%-26 % of global emission out of which the personal transport or cars are responsible of 10% of the CO<sub>2</sub> released in the atmosphere. So a transition to a cleaner and greener transport is imperative in order to address the climate change (Pillai, 2011). Indeed, the exhausts represent 80% of the total amount of pollution created by a car. (FEBIAC, 2008). A car is a complex product. It is the result of a combination of more than 1500 pieces, produced in many different materials like steel, PVC, aluminium. The actual constraints for car producers are to propose an attractive product for people and at the same time to develop this one in accordance with all the rules; rules that we notably find in the domain of security and environmental legislations (FEBIAC, 2008). Automobile industry's main focus is on sustainable development through optimal resource allocation, energy efficiency and recycling. India, like China, is one of the fastest growing automobile markets and vibrant economy in the world. India is emerging fast as hub for Global Vehicle Programs. It is expected that by 2020, auto component industry will be USD 113 billion (ACMA 2012-13). Growing Engineering and IT capability for designing and manufacturing presents huge opportunity to partner in product and process innovation. It also presents opportunity to outsource for OEMs (Original Equipment Manufacturers) and Tier 1 vendors. (ACMA 2012-13). In 2010, the Government of India announced an intensive scheme to promote the development and sale of electric vehicles in India. Broadly speaking the decision was to give a 20% rebate on ex-factory price of electric vehicles. Hybrid vehicle parts are exempted from basic custom duty and concessional central excise duty of 4% provided to specific parts of electric vehicles in 2010 budget. In the 2011 Union Budget, a set of new incentives were declared for electric vehicles (environment friendly vehicles) - full exemption of basic custom duty and concessional excise duty of 4% to batteries imported for electric vehicles in replacement market. The auto component industry had to be content with a meager growth of 5.6 percent during 2012-13, with turnover of INR 2,16,100 crores (USD 39.7 billion), notwithstanding the average inflation of over 3% in vehicles prices. (ACMA 2012-13)

### WHY ARE FIRMS USING GREEN MARKETING?

When looking through the literature there are several suggested reasons for firms increased use of Green Marketing. Five possible reasons cited are:

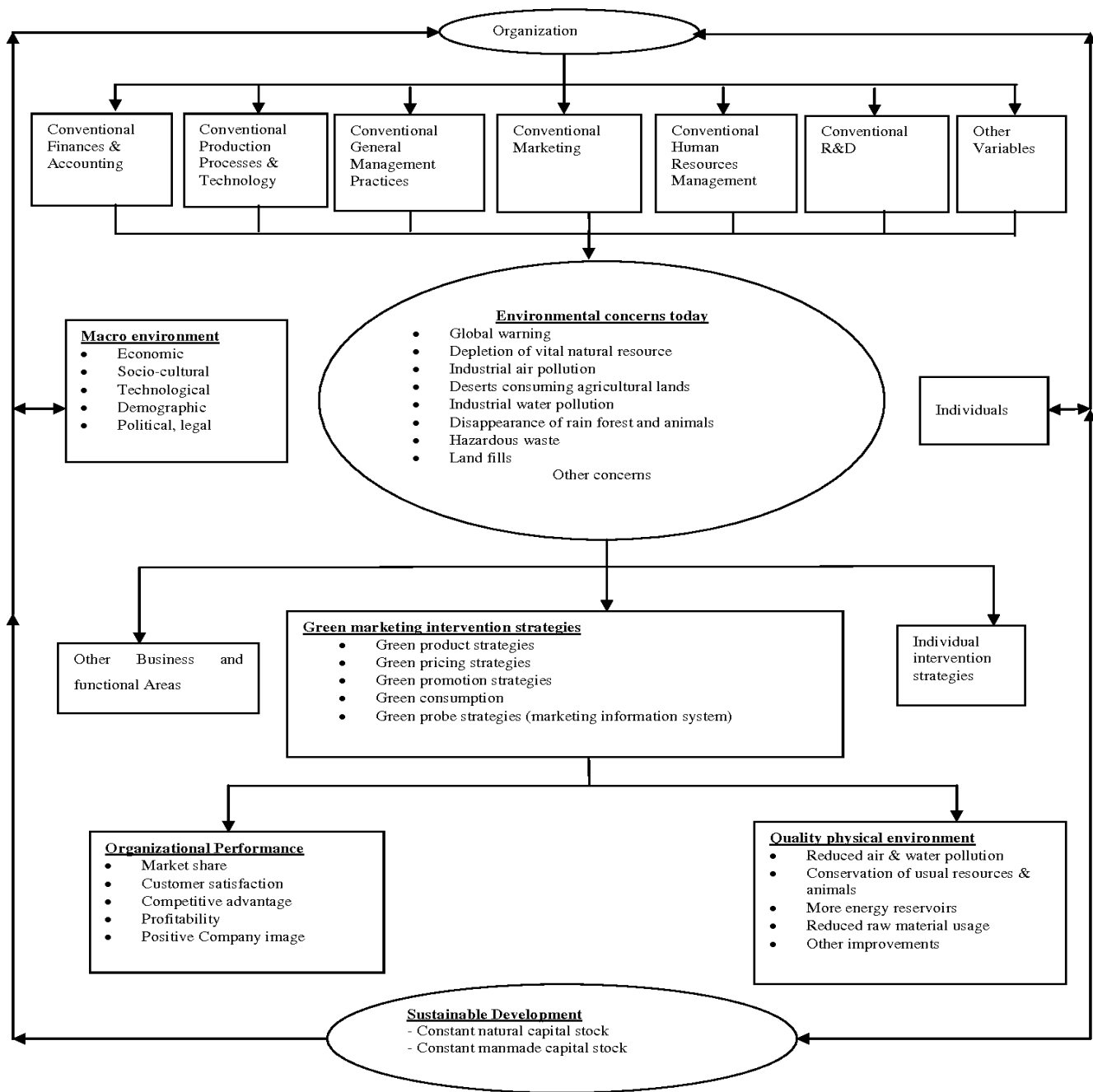
1. Organizations perceive environmental marketing to be an opportunity that can be used to achieve its objectives (Keller 1987, Shearer 1990)
2. Organizations believe they have a moral obligation to be more socially responsible (Davis 1992, Freeman and Liedtka 1991, Keller 1987, McIntosh 1990, Shearer 1990)
3. Government legislation - Governmental bodies are forcing firms to become more responsible (NAAG 1990). In many cases, mandatory environmental legislation is also forcing behavioral changes in consumers. Business may adopt an eco-marketing orientation as a strategic response to the dynamic environments of the nineties (Clarke & Geri, 2004).
4. Competitors' environmental activities pressure firms to change their environmental marketing activities (NAAG 1990)
5. Cost factors associated with waste disposal, or reductions in material usage forces firms to modify their behaviour (Azzone and Manzini, 1994).

## GREEN MARKETING AND SUSTAINABLE DEVELOPMENT

Sustainable development requires “sustainable marketing” that is marketing efforts that are not only competitively sustainable but are also ecologically sustainable (Polonsky et al, 1997). Indeed, marketing’s role in the development process is well recognized (Kinsey, 1982; Riley et al, 1983; Dholakia, 1984; Carter 1986; Kotler, 1986). Much of the economic activity is triggered by the marketing process that offers and stimulates consumption to satisfy human needs and wants. However, marketing’s critical role in development will only be appreciated when, through sustainable marketing, it meets the needs of the present without compromising the ability of future generations to meet their own needs (Polonsky et al, 1997). In response to the challenge of advancing simultaneously in economic development and environmental protection as the sustainable development demand companies and academicians have developed and/or adopted green marketing strategies and other corporate strategies. Among the key strategies are; green product strategies, green logistic strategies, green pricing strategies, green promotion strategies, changing consumers from consumption culture to ecologically concerned consumers, adoption of eco-marketing orientation as a business philosophy, Government intervention, lifecycle inventory analysis and teaming up for success (Polonsky et al, 1997; Ottman, 1997; Willum, 1998; Charter et al, 1999). Green marketing focuses on undertaking all marketing activities while protecting the environment. On the other hand sustainable development demands that the future generations inherit the natural environment in the same state or better as inherited by the previous generations. This calls for the protection and improvement of the environment. Therefore, sustainable development is a dependent variable of green marketing and other factors (See fig I: conceptual framework of green marketing and sustainable development which illustrates this relationship, *Source: International Journal of Business and Social Science Vol 2 No.23-Dec 2011*)

Banerjee (1999) and Wehrmeyer (1999) have analyzed the greening of strategic marketing with implications for marketing theory and practice. Hierarchical levels of strategic (green) marketing are analyzed in these academic discussions. Also Pujari and Wright (1996) address the application of Environmental marketing planning for the strategy, structure and process framework for organizational and product level response to environmental imperatives. Kotler (2000) uses the term “societal marketing concept” to cover social and ecological responsibilities. Recent developments show that a green agenda following holistic principles has now been integrated into mainstream marketing literature (McDonagh and Prothero, 1997). However, it seems that many companies feel uncertain how they should react to green challenges. As Peattie (1999) states, “Without a greener philosophy and vision of marketing, the greening of marketing practice will be an uphill battle

FIG 1. CONCEPTUAL FRAMEWORK OF GREEN MARKETING INTERVENTION STRATEGIES AND SUSTAINABLE DEVELOPMENT.



(Source: International Journal of Business and Social Science Vol 2 No.23-Dec 2011)

**Green based product strategies** - Comprise any or a combination of recycling, reduction of packaging material which is compostable, reconsumption, using sustainable sources of raw materials ,making products more durable, safe for disposal, repairable, making products and packagings that are compostable, and making products that are safer or more pleasant to use (Bhat, 1993; Ashley, 1993; Polonsky et al, 1997; Ottman, 1998 and Charter et al, 1999).

**Green based logistics strategies** - Most common form is reverse channel system which deals with post-consumer recycling. End consumer will carry function of sorting & accumulation & recyclable materials can flow backwards through reverse channel to either original manufacturer or raw material producing industries, or industries that can use recyclables as virgin material substitutes. (Fuller, 1997).

**Green based pricing strategies** - Environmentally responsible products are often less expensive when product life cycle cost is taken into consideration; for example fuel efficient bio diesel vehicles. Any environmental friendly new technology is expensive when it is introduced in the market for the first time. As the market expands and volume grows, price drops.

**Green based promotion strategies** - It is an activity of promoting products as having characteristics that do not harm the natural environment (Polonsky et al, 1997). Green marketers will be able to reinforce environmental credibility by using sustainable marketing, promote green lifestyle with or without highlighting a product or service, and provide performance reassurance of green based products, as many consumers perceive them as to be inferior to conventional products.

**Green consumption strategy** - Change of consumer behavior from consumption culture to ecology concerned consumers encourage green consumption

### **BENEFITS OF ADOPTING GREEN MARKETING**

Green marketing helps companies adopt more sustainable business practices as it helps promote the environmental benefits of their products and services. Furthermore, green marketing can raise awareness among consumers about the importance of sustainability and the environmental impact of their purchasing decisions. Environmental concerns present both challenges and opportunities. Enlightened Chief Executive Officers have taken advantage of opportunities by using green marketing strategies which has resulted in various benefits (Ottman, 1997):

**Profitability:** Green based products create less waste, use fewer raw materials, and saves energy. **Competitive Advantage:** Companies that are first to put their environmental innovation on the shelf enjoys competitive advantage. **Increased Market Share:** Brand loyalty is near all time low. According to a poll conducted by the Porter Novelli, consumers viewed company's record on the environment as an important determinant of their purchase decision. **Better Products:** Green based products are higher in quality in terms of energy saving, performance, convenience, safety, etc. **Personal Rewards:** Green products offer consumers with the benefits of healthier, more fulfilled lives and power to make the world a better place. **Better Physical Environment:** Well coordinated use of all green marketing strategies will result in better physical environment in terms of reduced air and water pollution, waste energy depletion, global warming, deforestation, depletion of natural resources, and rate of landfills. **Sustainable Development:** meeting the needs of the present without compromising the ability of future generations to meet their needs.

### **REMARKABLE PRACTICES IN OTHER SECTORS**

Banking sector giants like ICICI and HDFC's initiatives range from green offerings/ incentives, green engagement to green communication to their customers, managing waste, green procurement. FMCG companies like HUL, Dabur, Parle are focusing on recycling and reduced packaging. Oil and gas companies like HPCL, IOCL have commitment to clean energy, nationwide promotion for cultivation of jatropha, setting solar PV systems at retail outlets conversion of wastes to valuables, exploitation of renewable energy in marketing units energy conservation measures for refineries. In Telecom sector IDEA and Airtel have initiatives like conserving energy, recycling, or finding innovative solutions to environmental challenges. Leading chain of ITC hotels is the 'greenest luxury hotel chain in the world' with all its premium luxury hotels LEED (Leadership in Energy and Environmental Design) Platinum certified. Consumer Electronics sector is taking E - Cycling Leadership Initiative is an industry effort spearheaded by CEA, designed to increase collaboration among consumer electronics manufacturers, retailers, collectors, recyclers, non-governmental organizations and governments. These companies have been working to minimize the environmental impacts of their products, processes and services. It prevents threats of serious or irreversible damage to the environment and/or health.

### **CHALLENGES FOR GREEN MARKETING**

Green businesses often require longer payback periods, higher upfront costs, and more uncertain returns than conventional ones. They also face higher risks of policy changes, market fluctuations, and technological obsolescence. Despite the numerous benefits of green marketing it is not without constraints/challenges. Those include (Mary Wanjiru Kinoti 2011):

i) In general all the green marketing strategies are expensive and difficult to implement in the short run.

- ii) The environmental benefits are intangible, indirect or insignificant to consumers for example, consumers cannot see the emissions being spared when they use energy saving appliance.
- iii) Environmental benefits are difficult to measure or quantify.
- iv) Some strategies (e.g. promotion) are subject to manipulation for example, some marketers use false environmental claims in order to gain competitive advantage.
- v) The success of green marketing depends on several stakeholders who must work as a team. These include; general public, employees, retailers, government, environmental groups, and suppliers. Any group can derail the exercise.
- vi) The costs saved through recycling are doubtful.

## CONCLUSION

In conclusion we can notice that the environment has become a big concern and that the companies feel more concerned about this phenomenon. Thus an environmental committed organization may not only produce goods that have reduced their detrimental impact on the environment, they may also be able to pressure their suppliers to behave in a more environmentally "responsible" fashion. Final consumers and industrial buyers also have the ability to pressure organizations to integrate the environment into their corporate culture and thus ensure all organizations minimize the detrimental environmental impact of their activities.

With the threat of global warming looming large, it is extremely important that green marketing becomes the norm rather than an exception or just a fad. Marketers also have the responsibility to make the consumers understand the need for and benefits of green products as compared to non-green ones. In green marketing, consumers are willing to pay more to maintain a cleaner and greener environment. By practicing the philosophy of green marketing, industries can contribute to economic growth, social prosperity and environment protection. Through green marketing they will support in resolving the conflict between the various competing goals, and the simultaneous pursuit of economic prosperity, environmental quality and social equity, the three dimensions of Sustainability. (Saxena & Khandelwal, 2010).

Finally, consumers, industrial buyers and suppliers need to intensify the efforts to minimize the negative effects of the environment-friendly marketing in the context of green marketing assuming even more importance and relevance in developing countries like India.

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