Chapter 4

GREEN MARKETING PRACTICES OF FMCG COMPANIES

This chapter provides a background about the green marketing practices of FMCG Companies. The data was collected from the discussions with the managers of these companies. The chapter aims at examining the company's market segmentation, use of green marketing strategies, etc.
Climatic changes and environmental contaminations have emerged as haunting global issues to environmentalists in particular and the public at large. To chalk out effective remedial measures to curb the worsening of the environment has become a challenge in the 21st century to the governments and environmentalists. Pressures from consumer groups and government regulatory bodies have imposed bitter constraint on businesses to adopt green practices. As a result, policies focusing on the protection of the environment are continually being developed worldwide. Businesses can assist support the environment by becoming green businesses or sustainable businesses. Draft (2008) defines sustainable business as an economic development that generates wealth and meets the needs of the current generation while saving the environment for future generations. Green businesses are those businesses that adopted the concept of environmentalism across the various functions of the business. Thus the broad practices associated with the product life cycle such as planning, product and process development, distribution, etc should be in conformity with green policy. Green innovation plays an important role in enhancing the competitiveness of organizations. Innovations also help companies to generate customer loyalty and confidence. The FMCG industry has made remarkable positive contributions to world’s economic growth.

Traditionally corporation managers and directors considered themselves as owners of the firm and that their sole goal was profit maximization. Such a view underwent a change as a result of the change in attitude of governments and environmentalists towards the green earth. Thus corporations decided to integrate greening into their business strategy and invest in green developmental activities. Green marketing concept is fairly young and has not yet been fully explored but a few companies have implemented some form of green initiatives to green competitive advantage. This chapter discusses various green marketing practices followed by FMCG companies to manufacture and market eco-friendly products. For analysing the green marketing practices followed by FMCG companies, a detailed discussion has been carried out with the managers of 50 FMCG companies in South
Kerala. Companies selected were environmentally oriented and proactive with environmental strategies. The companies chosen for study were selected using a random sample method.

**Table 4.1 Frequency distribution results: A respondent profile**

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Category</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organisation</strong></td>
<td>Garments</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>Cosmetics</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Jewellery</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Electronics</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Food Products</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>12</td>
</tr>
<tr>
<td><strong>Employment size</strong></td>
<td>&lt; 99</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>100-149</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>150-199</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>200-249</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>&gt;250</td>
<td>10</td>
</tr>
<tr>
<td><strong>Position occupied</strong></td>
<td>Owner</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Co-owner</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>Manager</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>Employee</td>
<td>4</td>
</tr>
<tr>
<td><strong>No: of years involvement in green practices</strong></td>
<td>&lt; 1 yr</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>1-3 yrs</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>4-6 yrs</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>&gt;6 yrs</td>
<td>12</td>
</tr>
</tbody>
</table>

*Source: Primary data*

The green claims and concerns of different companies are extremely diverse and are not environmentally responsible businesses are the same. This often makes it difficult to define green businesses. However, demographic are utilized to explain what constitutes a green business. Demographic variables like type of organization; size of business; positions occupied and number of year’s involvement of a company in green practices are sued to explain green business profile.
1) Market segmentation based on green tendencies.

In green marketing, companies give thrust to environmental issues as their marketing strategy. While forming a green marketing strategy, companies have to realise that as in conventional marketing, there is no single strategy that will work for all companies. Each company must examine what strategy will be best suited to them depending on its own individual objectives, resources, target market, competitive conditions and so on. The first step in developing a green strategy is to gain an understanding of whether a products green attributes is a suitable selling point to target customers. Some companies opined that their customers are becoming increasingly interested in green distribution and some are now taking it even further and have started implementing changes. Green FMCG companies believe that consumers are now beginning to see and understand the possibilities and benefits of greening. Hence, these companies spent more time trying to educate the customers on green issues through seminars, presentations, etc. These are some of the ways through which companies segment their market based on consumers green tendencies.

2) Choice of a green marketing strategy

A strategy determines the nature and direction of the business, announces and fleshes out innovative products/services to the market. Developing and implementing green marketing strategy requires a fundamental, holistic and integrated approach across all functional areas, including marketing mix, targeting, pricing, design and positioning, etc. The companies that are truly committed to environmental concerns and willing to translate those concerns into action through marketing mix decisions can develop viable green marketing strategies. Many FMCG companies say that their goal is to make the customer perceive them as green. While a few others reveal their commitment to the environment through green innovation, green alliances, etc. Most companies today have basic knowledge of environmental issues, but they choose green alternatives for commercial benefits and not for environmental sustenance. Companies put in efforts to educate their potential customers on environmental issues and benefits of green technology. Companies
should be aware of their image in the minds of the customers and their targeted clients. This awareness would facilitate companies for segmenting, targeting, positioning their customers and find suitable strategies for allocation of their products.

3) **Choice of green marketing strategy on marketing mix**

Companies that have adopted environmentally superior strategies can obtain a competitive advantage by stimulating innovation in potential consumers. Worldwide corporate practices suggest that competitive advantage has to be earned and those companies not implementing green marketing strategy will be regarded as uncompetitive, unresponsive, and out of touch with emerging global markets. For long term success and benefits, green marketing must be implemented by companies all over the world.

Implementing a green marketing strategy gives the company a new mission. This involves redirecting customer choices towards choices that are environmentally compatible. It reorients the marketing mix and reorganises the company’s delivery systems and delivers them to meet environmental challenges.

4) **Green marketing and competitive advantage**

Companies have to construct a framework for determining the strategy to be chosen for implementation. Companies in different industries can gain competitive advantage by going green. Some respondents declared that companies implement green measures in order to cut costs, and not for promoting green marketing. On the other hand, some of them revealed their uniqueness by implementing green measures to gain competitive advantage. Companies are working on ways to drive down cost to make the green technology more attractive. Unfortunately the environmental aspect alone will not persuade potential customers to switch over from conventional products to green products.
The competitiveness of a company can be determined by four factors:

a) The structure of the industry in which a firm operates.

b) The company’s position within that industry.

c) The type of market the company serves.

d) The firm’s capabilities.

These are the ways which determine the competitive advantages of a company over its rival counterparts. Competitive advantage highlights the companies brand image which gives it a unique position in the competitive arena.

5) **Green marketing for sustainable competitive advantage**

Sustainable competitive advantage refers to the advantage of a company over competition that can be maintained over a long time. Respondents opined that the companies must pursue a green marketing strategy for sustainability. They think that the demand for green products would gradually increase side by side with an increased number of manufacturers. The respondents believe that increased competition and customer demand would change the market structure, therefore resulting in a decline in green price. While a few respondents expressed the view that green marketing could offer no advantage because of the productivity of its customers. Those who implemented green practices earlier feel that green marketing would affect their corporate social image in a positive manner. Sustainable practices can lead to improved environmental stewardship. Hence continuous competitive advantage can be achieved through regular cost based improvement in resource usage and waste reduction.

6) **Green production and marketing practices of FMCG’s**

Green marketing refers to the holistic marketing approach with a broad range of activities like product modification, changes in production process, packaging, etc. The effect of green business practices requires an in-depth knowledge of the customers’ requirements together with the ability to satisfy these requirements while
contributing to environmental sustainability. The most dominant benefits of green production and marketing practices followed by FMCG companies are product quality and company image in the minds of the customers. The FMCG companies agree that customers prefer products that are environmentally safe without sacrificing quality and efficiency. Consumers demand for green products and services creates opportunities for green offerings, top line sales, and building image, etc. All consumers remain primarily concerned with finding products that maintain the right balance between quality and price. High market share, business growth, brand image, brand loyalty, brand equity, customer’s satisfaction, customer retention, customer trust, customer loyalty, employee satisfaction, etc are the benefits of green production and marketing practices followed by FMCG companies. Managers need to develop systems that satisfy the requirements of green business practices for achieving their goals.

7) Consumers’ consideration towards green products

Today’s marketers increasingly realise that consumers really fear that the planet is losing its ability to sustain human life; they are anxious about their own health and that of their children’s. Health related issues such as water quality, hazardous waste, air pollution, global warming and over population top the list of environmental concerns that consumers fear most. Green is an integral part of this generation and they enjoy a lifestyle where sustainable choices are easily available. Consumers expect certain attributes while purchasing green products and the prime one is product quality. FMCG companies should focus on helping consumers to demonstrate that eco-friendly products are not only good for the environment but also it works better than non-green product. Companies offer money back guarantees, in store demonstrations, free samples, video commercials (either TV, Radio or on the internet) etc for green product promotion.

8) Techniques that promote greenness

Marketers today use myraids of terms to convey the products qualitative advantage for the environment. The consumers and businesses are willing to accept “green” as an umbrella term to define anything that is natural, recyclable and good
for the environment. The companies prefer to use the term “green” when selling eco-friendly, sustainable, clean products and services. Consumers expressed some skepticism over green claims that company’s make that companies have about their products. Consumer goods companies are on the lookout for opportunities to prove the green-ness, effectiveness and quality of their products. The marketers who succeed in doing this the best are likely to win over the consumers.

9) **Pricing of green products**

FMCG’s are of the opinion that customers are abstained from buying green products because of reasons like cost, doubt about the companies green claims, ineffectiveness of green products and unavailability of the product. Among these factors price remain the primary barrier to purchase green products. There seems to be a general willingness in customers to pay a premium for “green” products if they perceive additional value in performance, design, visual appeal, etc. Companies usually fix a high price ranging from 15% - 20% on green household items. Companies plan to increase 20% - 25% on high priced items like hybrid cars, energy efficient air conditioning, appliances, etc. As high priced items are not frequently purchased by customers, companies encourage their purchase tendency by providing financing options, “buy back”, etc for shortening the purchase cycle of such type of products.

10) **Promotion strategies used by green companies**

The growth of green markets is going to be rapid in future. This provides opportunities for business to promote their green offerings, green image, employees’ morale, etc. Knowledge about green products is made available to customers through information provided on the package labels. Some of the potential sources to green customers are through word-of-mouth, advertising and direct mail, etc. Companies offering “green” products and services try to use in-store experience to educate consumers. Companies feel the need to educate consumers on the availability of green products by providing useful facts and figures about “green” behaviour. Companies spend more on advertising, beefing upon their websites, latest social networks to educate consumers about the environmental benefit of their products.
Moreover, channels of distribution have changed today, and sustainable products are readily made available in conventional super markets.

11) **Eco-labels and positioning of green products**

Packaging is an integral and essential part of the industrial and commercial supply chain. Companies opine that additional costs on packaging would make the product more expensive. An eco-label is a label or logo to certify that a product meets high environmental and performance standards and has less impact on the environment. Consumers now-a-days are more conscious of the products they buy; they read labels and understand the constituents in the product. Companies agree that purchasing urge is created by green packaging and makes it more appealing to customers. Some of the companies refuse to change packaging at the risk of increasing cost or reducing sale. However, the same companies respondents demand that packaging should be made from recyclable materials, and the message should be communicated to the customer by means of a logo on the packaging. Some managers are of the opinion that packaging should be outsourced to an expert so that they would launch cost effective alternatives. However, majority of the consumer goods companies prefer choose to create their own green-logo for it. It is clear that the logo clearly communicates the benefits the green product brings to the consumer, including emotional appeals.

12) **Purpose of green communication**

Environmental consciousness has drastically increased globally and degree of green marketing has varied considerably from country to country. Green communication provides an opportunity for the companies to appeal to main stream consumers and empower them to make their purchase decisions. The message to the customer and the communication objectives should pronounce the company’s social responsibility and commitment. A few companies agree that there is currently not much communication strategy done by them due to the paucity of their product, and so it is not economically feasible. Packaging, point-of-sale, staff training are the important tools in the green communication medium mix and they provide considerable opportunity to influence consumers.
Green businesses should have a brand that is valued by customers. Advertising positive environmentalism is not enough, as businesses should be able to honour their promises. There is a need to continually advertise green products to increase consumer awareness of the impact and benefits thereof. Furthermore, businesses should be committed to investing in green research and development initiatives.

13) **Financial implications of "going green"**

Management and employees of green companies strive to use resources more effectively to create a competitive advantage that could positively influence business functions. Business people have to invest in new technology, special ingredients, and high start up costs for introducing greener products. The costs associated with "going green" would be quite high, but initially businesses can expect profit in the long run. When a firm decides to "go green", the following costs are to be anticipated.

- Increase in primary cost.
- Increase in capital expenditure, such as facility charges, etc.
- Expenses incurred in “green” legislation.
- Green overheads may be incurred.
- Costs incurred with carbon taxes and fines.

In addition to the costs expected, firms should also communicate their "green" efforts to the public to gain respect and recognition as a “green” business. It is crucial that consumers be well informed about the “green” features of new products and services. Managers who decide to “go green” need to ensure that the costs incurred do not exceed the desired benefits. The main benefits associated with improved environmental management include better customer relations, enhanced public and brand image and effective operational savings. The managers opined that by implementing “green”, certain benefits could offset additional “greening” costs which include indirect savings resulting from the reduction of raw materials, energy,
water, office suppliers, heating, lighting and unnecessary packaging, and direct savings in the form of lower waste disposal costs as well as additional costs from the sale of by-products.

"Going green" can also have a positive effect on the staff morale. Employees are often the initiators of improved green environmental practices who boost staff morale and productivity.

14) **Role of government in greening the business**

Governments play an important role in endorsing green purchasing and thus, increase the production and consumption of environmental friendly products. The green marketers will have full support from the government as they provide tax incentives for cleaner production technologies, finance options, etc. Governments have taken serious action towards environmental sustainability through various programs and establishments. The government of India has framed and prepared various regulations and legislations to protect the society and reduce the production of harmful goods. Government and social organizations compel all the organizations to practice green marketing for sustainable development. Government monitors how the FMCG companies follow the existing rules and regulations in the environment protection law and how they follow the emission standards prevailing in the country. Continuous monitory procedures are conducted by the government for ensuring that the consumer goods produced by the FMCG companies will not create any harm to the environment.

15) **Future of Green Marketing**

The business world has begun to acknowledge that environment plays an important role in all facets of business. Green touches the lives of all people around the globe. Small, medium and large sized businesses are increasingly becoming concerned about the impact of businesses on the environment. Businesses care about customers and how their perception. So, they are sensitised to greening up their products and processes. In this environment, where business is often personal and relationships longstanding, marketing messages should focus on the cares and
concerns of the people they serve and the green environment. Managers of companies started developing environmental management systems to promote their greening efforts. Projecting a company’s image as a leader and innovator, who is socially and environmentally committed would certainly bring forth positive results. Influential customers desire to do business with companies that have established their green credentials. Companies are launching hefty advertising and web campaigns, publishing extensively documented sustainability reports, cooperating with external sources to communicate transparently, and communicating their efforts internally for their green promotion.

Communicating a company’s embrace of sustainability can enhance corporate equity and by analyzing this opportunity more and more companies communicate their green mission and progress. Firms need to develop every opportunity to enhance their products/ services in terms of quality, performance, social responsibility and environment friendliness. Companies need to believe that green marketing ‘can work’ and make diligent efforts to make necessary product improvements, which deliver performance, and are marketable and profitable. The FMCG companies have integrated eco-aspects within a broad variety of marketing as well as management activities. They work with green marketing in order to pursue environmental responsibility in the long run and achieve sustainability.

Conclusion

FMCG companies recognise that, a paradigm shift to sustainable production and consumption is needed to tackle the imposing environmental issues. Some companies have done greening not for the good of the environment, but for financial incentives. Furthermore, being green is viewed by many as more expensive than other options. Now-a-days, companies follow different green production and marketing practices to make themselves more environment friendly and to convince the stakeholders, especially customers, about the claims of green companies in the corporate sector. In conclusion, creating and implementing a green marketing strategy is not only complex, but also a relative concept that varies over time.
References:


