Global Conference on Business & Social Science-2014, GCBSS-2014, 15th & 16th December, Kuala Lumpur

The impact of green marketing strategy on the firm’s performance in Malaysia

Zuhairah Hasana*, Noor Azman Alib

*Putra Business School, Universiti Putra Malaysia, Serdang, Selangor, 43400 Malaysia
bFaculty of Economics and Management, University Putra Malaysia, Serdang, Selangor, 43400, Malaysia

Abstract

This is a conceptual paper to study the impacts of green marketing strategy on the Malaysian certified ISO 14001 Environmental Management System firms’ performance. The paper aims at presenting the reviews of the literature on the green marketing and analyses the two factors that will influence the firms’ performance. Despite the rising trend of consumers that willing to spend for a green product and the potential of green product, previous literature revealed that green marketing has encountered some challenges. The conclusion that was drawn is that, green innovation and the green promotion have a positive effect on the firms’ performance.

Keywords: green marketing; firms’ performance; sustainability; marketing strategy; Malaysia

1. Introduction

This paper will begin by briefly reviewing on the sustainability literature, provides the overview of the global green industry, followed by the current issues in the Malaysian green industrial context, including the prospects and challenges. This paper is conceptually focused and a review is conducted mainly concerning with green innovation and green promotion.
1.1. Purpose of Inquiry

This conceptual paper is intended to investigate the impacts of green marketing strategy on the firms’ performance through an analysis on the green innovation and green promotion. The answer of the inquiry question will be based on the literature analysis. Despite the potential and benefits of green product and green marketing, (Peattie and Crane 2005; Gordon, Carrigan, & Hastings 2011; Gleim, Smith, Andrews, & Cronin 2013) revealed that green marketing has encountered some challenges. Misleading advertisements, false promises, unclear labels, and irregular performance has increased the confusion among consumers, which cause a decreasing number of green products launched. This situation is labelled as “greenwashing”. Pillai & Patil (2012) reported that “greenwashing” is a situation in which firms claim that a product is environmentally-friendly products, but in reality the product does not perform as it promised. The consumer scepticism on green product claims has influenced their attitudes towards green products and creates confusion among consumers as supported by Nyilasy, Gangadharbatla, & Paladin (2013). Therefore, this conceptual paper is significant because it will explore various green marketing strategies adopted by Malaysian certified ISO 14001 EMS firms. Given that knowledge about the existence of green initiatives in Malaysia is still lacking, the study can add knowledge to the managers’ understanding to refine their marketing strategy. Subsequently, the higher rate of success will encourage other businesses to adopt the green initiatives therefore, will increase the number of ISO 14001 EMS firms and eventually embrace the sustainability agenda.

1.2. Sustainability

The term ‘sustainable’ becomes a popular notion in recent literature. It discusses the basic premise, that businesses have a responsibility to satisfy the human needs and wants while preserving nature. The current ecological challenges require the managers to formulate strategies that control pollutions and preserve the natural resources. Millar, Hind, & Magala (2012) stated that to integrate sustainability into the organization still a challenge and difficult for many leaders, however Saxena and Khandelwal, (2012b) reported that green economy is a profitable sector that comprises green product, organic agriculture, renewable energy, clean technology and natural resources, which suggest that marketer must seize this opportunity in order to gain competitive advantage. Hence, many industries are adopting green business strategy to ensure sustainable growth through encompasses the green characteristic in their business operation. Although it is a voluntary basis, more and more companies taking this initiative and becomes a main agenda and important strategic concerns among companies. The remarkable growth of new green industries indicated the positive attention by the marketers. There is some evidence that various types of companies switch to adopt green philosophies such as traditional manufacturing companies become more profitable after transform to green manufacturing system (Taylor, Chuang, & Yang, 2013). The retail outlet is also promoting the green image (Yusof, Musa, & Rahman, 2012). The agriculture industries also respond in producing foods without harming to the environment and consumers health (Pellegrini & Farinello, 2009). The hotel and tourism industries also involved in changing their business towards green hotel and eco-tourism (Graci & Dodds, 2008; Punitha & Mohd Rasdi, 2013; Chan, 2013). In addition, the concept of purchasing green products become popular as the numbers of consumers that willing to purchase that are environmentally-friendly are significantly increasing. Dangelico & Pujari (2010) reported that the size of the green markets is also increasing and is getting bigger in the future. In line with this, the green industry also shown a positive and emerging trends as Saxena & Khandelwal (2010) found that people in India have high concern for greener environment thus are shifting their preferences from grey products to green products. While many companies are struggling to form green business strategies, it is not explicitly discussed on the impacts of green marketing strategy on the firms’ performance. As suggested by Kumar, Rahman, & Kazmi (2013), very few researches reflecting on sustainability marketing strategy and this area can be explored further. Similarly, Tiwari, Tripathi, Srivastava, & Yadav (2011) claims that the green marketing is still in its infancy and a lot of research is to be done. Chabowski, Mena, & Gonzalez-Padron (2011) supported that marketing play an important role in driving the firms’ performance. Hence, this implies that the involvement of green marketing is crucial and inevitable. Thus, this paper will analyse the relationship between the green innovation and green promotion and the impacts on the firms’ performance.
1.3. Green industry in Malaysia

As a developing country, the Malaysian government has demonstrated a serious action and commitment to embrace the sustainability agenda. Many firms from diverse sectors have been encouraged to involve in green practice. The Green Technology Policy delineated five strategic areas in implementing the ‘Green Malaysia’ framework, including undertaking promotions to increase the public awareness and intensifying the research and innovations. Furthermore, the Green Technology Financing Scheme was announced offering RM1.5 billion in soft loans for companies in the energy, building, transportation, water and waste sectors interested in investing in green technologies as part of the 2010 budget. However, besides the serious initiatives and recognition from the government, based on the ISO 2012 survey, the total number of Malaysian companies certified for ISO 14001 Environmental Management System from 1999 to 2012 were 11, 706 companies. Compared with other Asian countries, the number of companies certified for ISO 14001 EMS in Thailand is 17, 519, Singapore with 9, 740 companies, and Indonesia is 7, 233 companies followed by Philippines with 5,084 companies. Japan seems to be leading and categorized as top three countries for the total number of growth in the numbers of certificates issued in 302, 480 companies. In Malaysia, despite the incremental numbers of companies certified for the ISO 14001 EMS, it can be concluded that the trend is quite uncertain, as in 2002, there were no companies certified in ISO 14001 EMS, followed by in 2006 a reducing number of companies of 14.55% from 2005, and also a decrease of 1.45% in 2012. Tan (2005) argues that Malaysian firms seem to have a slow growth towards the ISO 14001 EMS adoption as only 370 companies were certified in 2003, which is 0.6% of the total certified companies in the world. Therefore, this paper adds value to the literature through investigate on how the organizations in Malaysia are really concerned with green marketing. The main contribution of this paper focuses on further supporting the relationship between green marketing strategy and firms’ performance. The higher rate of success will encourage other businesses to adopt the most effective way to gain the benefits. Therefore, the best strategy, concepts, and results of the outcomes, may be utilized by others marketers and managers to improve the performance of the firms.

2. Conceptual framework

The conceptual framework explains the relationship between the two research constructs, green innovation and green promotion with the firm’s performance. The study attempts to explain the impact of green innovation and green promotion on the performance of firms. This conceptual paper is based on a review of the previous research and data gathered from the current literature. This paper will analyse through the structural relationship between the constructs and focus on the effectiveness of green innovation and green promotion as a green marketing strategy. It is better to understand the green marketing in prior in order to explain the development and choice of the research constructs. In the literature, green marketing, also known in different terminologies such as environmental marketing, ecological marketing or sustainable marketing. Polonsky (1994) stated that green marketing comprises product modification, changes to the production method and process, packaging and modifying advertising. Juwaeer, Pudaruth, & Noyaux (2012) recommended that effective green marketing strategy should be further developed on green branding, packaging, labelling and advertising to create demand for the green products. Chamorro & Bañegil (2006) stated that the objective of the green marketing is to lessen the impact on the natural environment during the process of planning and implementations of products or services, price, place and promotion and Mourad & Ahmed (2012) points out that the goal for green marketing is to create profit and maintain the social responsibility. Interestingly, Gordon, Carrigan, & Hastings (2011) supported that green marketing includes from production to post-purchasing service with the goal to balance the company’s profit and protect the environment as well. Sarkar (2012) also agreed that green marketing encompasses a broad range of activities, including product modification, changes to the production process, packaging changes, remodelling and stylising as well as modifying advertising. In general, green marketing can be applied to much broader concept; consumer goods, industrial goods and services.
2.1. Green innovation

According to Chen, Lai, & Wen (2006), green innovation can be divided into green products and processes, including the innovation in technologies that are involved in the design of green products, using the energy saving, waste recycling, and technology to prevent the pollution. Green innovation has become one of the important strategic tools to obtain sustainable development in manufacturing industries because of the increasing environmental pressure (Chang, 2011). For a Small Medium Enterprises (SMEs), green innovation include in the development of new more environmentally-friendly products and changing process or production method (Oxborrow & Brindley, 2013). Green innovation is closely related to the new product development. The intensity of global competition and changes in the consumer preferences enforce the need of new product development (NPD). Pujari, Wright, & Peattie (2003) refer the green product development as environmental new product development (ENPD) which assimilates the environmental issues into the product design. Thus re-design the existing products by using the natural resources, material, disposal or production with the aim to reduce the impact on environments can also be considered as a green product. On the other hand, Johansson (2002) used the terms eco-design in explaining the product that reflect minimise on the environmental impacts without compromising the product criteria such as quality and performance. Ar (2012) concluded that all technologies and innovation which have developed a new product or services that provide positive environmental benefits is the key factor to sustainability for firms. Pursuing this further, more companies are willing to invest and put more efforts on developing green innovations. Therefore, developing green innovations is a win–win solution for the conflict between economic development and environmental protection (Chang, 2011). Bansal (2002) recommended that companies need to adopt product and process innovation in order mitigate the impact of the product and services on the environment. Pujari et al. (2003) also highlighted on product stewardship efforts which covers all aspects of managing products, their performance and impacts. It showed that the green product innovation is generally positively affecting firm performance and competitive capability (Ar, 2012). As a result, effective development of green products is actually helping the companies to increase their performance. However, it is important to highlight that, despite the advent of green product in the market, Mei, Ling, & Piew (2012) reveals that there are some drawbacks on green marketing practice that cause the failure of green marketing. The marketers must responsible for the claims on the green products and services are not misleading to the consumers. This is to ensure the consumers really benefited from the claims. In order to ascertain the impact of green innovation on firms’ performance, the Diffusion of Innovation Theory is applicable to support the relationship between the green innovation and firms’ performance. The theory explains on how to increase the rate of adoption of green products, services and processes to help the companies to get competitive advantage (Vaccaro, 2009). Thus, the green innovation should be perceived as having superior value to the existing products that comprises the diffusion characteristics; relative advantage, observability, compatibility, complexity and trialability. Notwithstanding, Graci & Dodds (2008), relates the Resource-based view theory to support the organization to differentiate the firms from its competitors in the green market segment. Resource-based view is developed by Hart in 1995 explains the acquisition of the unique, rare, non-substitutable, valuable, and difficult to imitate resources will result in a more efficient product, services and manufacturing processes. Hence, the green innovation can be considered as unique resources possess by the businesses that enabling the firm to gain competitive advantage and simultaneously improve firms’ performance.

2.2. Green promotion

Green advertising are effective tools to promote products, services, ideas and organizations’ efforts to show concern and their initiatives to protect and preserve the environment. It is also a tool used by the companies to share and inform the role that the companies also directly impact with the global issues, parallel with consciousness displayed by the societies. Besides that, the government also use the green advertising to promote the green environment concept to increase the level of awareness to protect the environment (Abd Rahim, Ahmad Zukni, Ahmad, & Lyndon, 2012). Ann, Zailani, & Abd Wahid (2006) recommended that the environmental labels should be aware and stay visible in order to influence purchase from the consumer. In general, it can be concluded that green advertising must be able to communicate the relationship between a products or services with the environment, serve as a campaign to promote a
green lifestyle, and finally can enhance the corporate image of the companies. The tremendous growth of green brands in the market due to the consumer demand has encouraged the green marketing to appear into a more strategic way (Taghian, 2005). Thus, there will be a parallel rise in environmental advertising in order to increase the level of awareness of consumers. The terms used in the advertising such as biodegradable, recyclable, and ozone safe have become a popular in green advertisements. However, there are some backlashes on the green advertising claims that cause confusion among the consumers. Some of the critics include the unclear meaning of the terms used in the advertising such as ‘biodegradable’, and some perceived that the term requires technical and scientific knowledge in order to understand the message. For instance, the terms “sustainability”, “green” and “environmental” attached as a certification programs and promotional strategies in tourism products and destination is not clear and indefinite to the consumers (Graci & Dodds, 2008). Green advertising must be legal and consistent with the environment regulation. Nyilasy et al. (2013) suggest that ethical green advertising/marketing is conducive to good business results. Thus, a marketer who is introducing the environmentally-friendly product must have a strategy on how to communicate their products in a more appealing way. If marketers can address the strength of the new innovation product and process, the quality concerns of the product, the performance and benefits that associated with the green characteristics thus, “greenwashing” activities could be avoided.

2.3. Firm’s performance

The firms’ performance is reflected from the perceived benefits which expected from the integration of environmental management in their business operation. As supported by Psomas, Fotopoulos, & Kafetzopoulos (2011), the firms can enhance their environmental performance and business efficiency by implementing the ISO 14001 EMS. Among of the perceived benefits discussed in the literature are; enhance good corporate image, reducing waste, minimising cost, increase customer satisfaction, increase productivity, better goodwill, increase market share, and of course profitability. Chen et al. (2006) believes that the investment of the green product innovation and green process innovation contribute a positive impact to the businesses. According to Johansson (2002), the product development project success is measured by the profit, sales and market share. In the same way, Doran & Ryan (2012) concluded that an eco-innovation has a positive and significant impact on the firms’ performance. Various study (Ann et al. 2006; Hwee Nga, 2009) discusses whether companies that implement the environmental strategy and certification of ISO 14001 EMS has a positive influence on the firms’ performance, but despite the number of studies in this area, none are emphasized on the influence of green innovation and green promotion on the firms’ performance in details. Punitha & Mohd Rasdi (2013) highlighted on the benefits and advantage that the companies will achieve as it involves in the green businesses for instance, superior financial and market performance. Literature in Malaysia shows that expected benefits, such as cost savings, marketing opportunities and financial returns from the sale of green products represent the important drivers for green initiatives (Eltayeb, Zailani, & Jayaraman, 2010). Similarly, Agbejule, Fernandez, & D’Espiney (2004) supported that the green products, process and services have become a central business strategy which driven by the competitive pressures and customer requirements. Ann et al. (2006) claims that the certification of ISO 14001 has a positive impact on firms’ performance including perceived economic impact, perceived environmental impact and perceived customer satisfaction. Rajendran, P.Padma, & Chandrasekharan (2008) concluded that companies can benefit from the ISO 14001 EMS implementation by sustain their competitive position and improve the environmental performance. Rajendran et al. (2008) highlighted eight variables to measure the organizational performance comprises customer satisfaction, employee morale, growth in exports, profitability, productivity, reduction in quality cost, financial performance and environmental performance. According to Ledwith & O’Dwyer (2009), new product development success can be measured in terms of market level, financial measures, customer acceptance measures, product level measures and timing measures. Martinez, Ramirez, Cronin, Gleim, & Smith (2011) stated that gaining the financial incentives is very important as to motivate the companies to utilize the “green” as a marketing strategy. Laosirihongthong, Adebanjo, & Tan (2013) highlighted on environmental performance, economic performance and intangible performance were used to measure overall organizational performance. Fraj, Martinez, & Matute (2011) also use three dimensions of performance in his study; environmental performance, economic performance and marketing performance.
Molla (2013) define the environmental performance as the organization perform at a low cost operations, reduce energy consumption, use recycling waste in order to preserve and protect the environment. Financial performance indicates a firm’s business performance in terms of return on investment (ROI), internal rate of return and market share. Operational performance is used an indicator of a firms’ performance whether the firms utilize its resources effectively in order to achieve objectives. Therefore, it can be concluded that the economic performance and operational performance (aspects that relate to the improvement of process or method) are the most commonly dimension used to measure the overall organizational performance.

3. Results and findings

The literature is very useful to gain additional insight and add knowledge for this conceptual paper. The literature enables to provide results on the role of green innovation and green promotion as a marketing strategy. Polonsky (1994) stated that green marketing is a tool to promote green products to satisfy customers’ needs and wants. In the final analysis, a recent study by Leonidou, Katsikeas, & Morgan (2013) reveals that the green market program is beneficial towards the firms’ performance. In line with the recent study, Fraj, Martinez, & Matute (2011) reported that green marketing strategy helps the firms to manage their resources efficiently and improve corporate image and reputation and leads firms to improve profitability. Based on the literature, it was found that other than green innovation and green promotion, marketing mix comprises of product, pricing, distribution and promotion also applied as a green marketing strategy. Following an exhaustive review, it can be concluded that, the green marketing strategy contributes to the firms’ profitability, competitive advantage and encourage a greener pattern of consumption among consumers. The green innovation, research constructs can be divided into green products and process, including the innovation in technologies that are involved in waste recycling, green products design and energy saving (Chen, Lai and Wen, 2006). Green innovation represents with the concept of environmental protection into the design of the products. The second construct is a green promotion also referred as the communication that promotes the product and the services. Besides promoting the green advertising campaign, it should also have the characteristics to enhance the corporate image of social responsibility. Thus, the success of the green innovation and green promotion is a success factor to influence the firms’ performance. Lastly, the firms’ performance is measured on the economic performance (financial returns, market share, and sales growth) and operational performance (aspects that relate to the improvement of process efficiency such as product quality). The factors outlined in this study are analysed using the framework developed to examine the relationship of the green marketing strategy and the firms’ performance.

4. Conclusions

The findings steered us to draw conclusions about the relationship between green innovation and green promotion with the firms’ performance and make recommendations for future research. It is clear that the performance of green innovation, product and process has a positive influence on the performance of the firms, although green innovation process is rarely discussed in the literature, it is very important to highlight the green innovation process, as it is easy to imitate the final product, compared to the process. This conceptual paper is significant because it will explore various green marketing strategies adopted by Malaysian certified ISO 14001 EMS firms. Given that knowledge about the existence of green initiatives in Malaysia is still lacking, the study can add knowledge to the managers’ understanding to refine their marketing strategy. Subsequently, the higher rate of success will encourage other businesses to adopt the green initiatives therefore, will increase the number of ISO 14001 EMS firms and eventually embrace the sustainability agenda. With a growing recognition by the Malaysian government of the importance of sustainability, green firms in Malaysia should, therefore, be more emphasized or thorough in implementing various strategies in performing green initiatives. To further develop the sustainability agenda in Malaysia and the best interest of future generations, firms should keen to the best of green practice. Considering the rapid and accelerating growth of the green products worldwide, the marketers must seize this opportunity to identify the best green marketing strategy in winning the consumers’ needs and wants.
Acknowledgements

This research has been benefiting from the University Technology MARA, University Putra Malaysia and Ministry of Education Malaysia.

References


