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GREEN MARKETING

THE CONTEXT OF INDONESIA AND PHILIPPINES

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GREEN MARKETING

The Context of Indonesia and Philippines

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PREFACE

This book is specifically designed to present the so-called effective green marketing strategy designed as the result of the research. The effective green marketing strategy is created based on green marketing practices and the management's experience, issues, challenges, and opportunities in marketing the green products of the selected companies in Indonesia and Philippines.

The strategy may not be generalized since there is no single green marketing strategy that is fit for every company (Ginsberg & Bloom, 2004). It however provides an insight toward green marketing strategy in a particular context that can be the basis for developing the similar one in different context. The initial motivation of the research is to contribute to providing knowledge on green marketing in the context of developing countries.

The green marketing strategy is outlined and presented in diagram for better visualization of the strategy and its connection to the concept underlying the strategy formulation. Drawbacks may still exist and thus constructive suggestions are gratefully accepted for the strategy is in its best formulation.

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CHAPTER 1
INTRODUCTION

Even though we have been studying marketing for years, but our journey to specifically green marketing have just started in 2016. Tracing back the concept of green marketing, we found abundance information about it. This fact is our motivation to go forward in studying green marketing in particularly in the context of developing country since green marketing and green business have studied widely in developed countries and still relatively limited study in the developing countries.

Our journey began with a collaborative research with our university partner in the Philippines under the big theme of green business. We addressed specifically green marketing in each country (Indonesia and Philippines) under a comparative study. The intention of the research was to understand green marketing strategy of companies in both countries and to propose a model of green marketing strategy in a context of developing country. This book is intended to share interesting findings of the study that can contribute in enhancing discussions about green business in general and green marketing in particular with specific context of developing economies.

Why green marketing strategy?

Green marketing practices are not yet embraced and applied by many businesses around the world (Cekanavicius, Bazyte, & Dicmonaite, 2014). Motivations to embrace it are quite varied. They can be divided into two: value of money and of non-money (Marketing-Schools.Org, 2016). For some, greening the business is still perceived as an extra burden in terms of cost increase or revenue loss. The facts show that majority of businesses implementing green business have economically struggled for market share in both consumer markets and industrial markets (Marketing-Schools.Org, 2016). On the other side, those consider non-money estimation believe that it is their responsibility for going green and is simply the right thing to do (Jone, 2014). Those in this side see the benefits. As stated by Jone (2014), the reasons for going green not only improve corporate image but also show that they care and it is what customers demand.

Green issues are highly technical, complex and fast moving. Thus, the potential to confuse consumers with misleading green claims is high (Ottman & Mallen, Five Green Marketing Strategies to Earn Consumers Trust, 2014). When claims are unclear and consumers get confused, green-wash happens and the marketers can be perceived as green-washers. Green-wash phenomenon is the threat on green marketing revolution. Being perceived as a green-washer can seriously damage the company's credibility and disillusioned customers shift their purchases to more trustworthy competitors.

Companies applying green marketing must deal with more complexities than those applying conventional marketing because green marketing must be a comprehensive plan and business-wide (Marketing-Schools.Org, 2016). For example, it is not good to advertise the green properties of a product if the company's production and distribution entirely ignore environmental concerns. The claims should be transparent and unsubstantiated claims should be avoided since consumers need information about the business to evaluate its claims and reputation. Ability to create an effective green marketing strategy is thus a challenge.

Effective green marketing strategy can only be produced if it is supported by strong concept in the relevant area. Nevertheless, the concept of green marketing is not a well-established knowledge yet in especially developing countries. Referring to Cekanavicius, Bazyte, and Dicmonaite (2014) who stated that application of green marketing depends on national specifics, the research tries to contribute in developing knowledge on green marketing strategy in developing countries based on green marketing practices of Indonesian and Philippine companies producing green products.

As a basic research, the research produces a concept and model of green marketing strategy with the perspective of developing countries. Practically, the strategies must benefit companies in marketing their green product successfully. Academically, the dissemination can engage other academies in discussion for enhancing the effectiveness of the proposed strategies.

Manufacturing companies we studied

We studied six selected manufacturing companies we identified as producing green products. We selected respectively three comparable companies located in Semarang, Indonesia and Cebu, Philippines. Difficulty in matching comparable indicators led us to use product similarity manufactured by the companies as the indicator. The reason was that producing similar product means the companies operate in similar industry which also means they face pretty much the same challenges and competitions from which the marketing strategy is intended to deal with it. Nevertheless, we still could not find exactly the same product in each country by applying the reason. This resulted in the following companies in each country and product category. They were considerably as the most comparable ones. We should present them using initial and the initials will be used in the entire book.

Product	Companies in Indonesia	Companies in Philippines
Medicative herbal drinks	SM	HP
Cosmetics	CV	GT
Local unique items	BS	NL

We explored their marketing practices by interviewing either the owner or the manager in charge of each company. We interviewed those in Indonesia and our partner team in the Philippines was responsible for collecting data from those in the Philippines. We used additional secondary data to confirm, support, and enhance the information resulted from the interviews. They are collected from publications such as international and national journal articles, textbooks, periodicals, government regulations, company press releases, marketing tools, prospectus, company website, and any other sources according to the availability in each country.

Profile of the selected companies

To provide clear context of the studied companies, below are the profile of each company. Country-based instead product-based is used in outlining the companies. This refers to Cekanavicius, Bazyte, and Dicmonaite (2014) who stated that application of green marketing depends on national specifics.

Profile of the selected companies in Indonesia

SM

SM started a home business in 1940 in Yogyakarta – a city in the southern-central of Java Island in Indonesia. In its inception, it produced traditional herbal drinks that is known as *jamu* in local language. *Jamu* is herbal drinks produced using herbs available surrounding by local people with traditional way for generations. It is intended to either prevent or cure people from sickness. In other words, *jamu* is a local wisdom practiced from generation to generation. The first *jamu* manufactured by the company was anti-cold *jamu* intended to reduce cold.

In 1949, the business moved to Semarang – a capital city of the Central Java Province located in the north of Yogyakarta - and employed three persons. Continuous increase of demand directed to the establishment of a company in 1951. Manufacturing facility was built, company's name was created, and company's logo was introduced. The company was run under a name which means 'a dream comes true.' However, the company soon experienced lack of production capacity since the demand of the anti-cold *jamu* produced in powder to respond customers' want on a more practical *jamu* kept growing steadily. In anticipating the future demand, the daughter who run the business moved the facility to the industrial area for small businesses in 1984. Here, a modern manufacturing facility intended for the company to be able to manufacture *jamu* using pharmaceutical process was built.

From this location, the company evolved to be a pharmaceutical company and has been the pioneer in the industry that produced *jamu* that clinically and scientifically can be treated as medicine. Certifications in Good Way in Manufacturing Traditional

Medicine and Good Way in Manufacturing Medicine granted in 2000 to the company identified SM as the only *jamu* factory with pharmaceutical standard since the certificates are usually given only to pharmaceutical company.

This has become a significant transformation done by the third generation of the owner to change the society's belief about *jamu* and its benefits. Even though *jamu* has been recognized by Indonesians for generations, but the society has not fully believed in the benefits of *jamu* for curing sickness since *jamu* has not been positioned yet as medicines produced by pharmaceutical industry. The third generation wanted to make *jamu* as a safe, balanced, and truthful product.

SM committed to develop the laboratories and for this it had been granted ISO 17025 certificate identifying good quality of the laboratories. It also built cooperation with medical and pharmaceutical organizations, public and private universities, and research institutions to conduct research underlying good quality of products manufactured by the company. This was also to leverage trust of the society to the company's products.

Then, in 1997 a 29-ha facility was built outside Semarang in anticipating the growing demand. The facility comprises 7 ha manufacturing facility, 1.5 ha agro-tourism area, and the rest is the supporting areas for reloading materials or loading the finished products to trucks for delivery. In 2013, the company shifted from a family company into a public company and has become national company that employs 3,453 people in total.

The company has produced 273 types of *jamu* that varied according to age (*jamu* for children, teens, and adults), and gender (for men and women). Some of them had been granted awards as top brand, best brand, Indonesia original brand, and most popular brand some from several organizations or institutions. They were marketed nationally and exported to particularly Asian and European countries.

CV

CV was established in 1997 by a general practitioner doctor. She started the business in Semarang during the financial crisis in 1997/1998 as the response to jobless people who came to her asking for job.

She initiated the business by producing traditional herbal drinks (*jamu*) even though she did not have background and knowledge on making *jamu*. According to her, decision to produce *jamu* was just a light of inspiration. What she did was to buy the ingredients for making *jamu* and processed them with hygiene which was her concern as a doctor so the *jamu* had export quality. The business was positioned under the tagline '*Original Indonesian Herbs'.*

She was also a cosmetologist who discovered application of *temulawak* (Javanese ginger or *curcuma zanthorrhiza*) as the basic material for cosmetics and other products such as tooth paste, food supplement, yogurt, gum, and appliance cleaner from a collaborative research with the researchers from South Korea. Later on, she wanted to use *temulawak* to produce spa products that become her focus in the business. Now, the business is known as a cosmetic company focusing on spa products that were developed from the concept of Javanese and Balinese traditional spa. She then expanded the business by producing spa products made of other than *temulawak,* spa accessories, natural drinks, food supplements while kept producing *jamu.* The products sold under a brand name meaning as pretty as the moon.

The products were sold to local market and foreign markets such as Singapore, Malaysia, Hong Kong, China, Philippine, Egypt, Bahrain, the USA, French, Switzerland, the Netherland, Italy and Germany. High cost of compliance to clinical standards applied by some other countries was the barrier to penetrate foreign markets.

BS

BS was established in Semarang in 2005. It produced *batik* - colored designs cloth produced using a technique of wax-resist dyeing on fabric. Semarang identifies the city in which the company is located. The number 16 refers to the Letter 16 in the

Al Quran (Moslem's holly bible) stating about honey bees. The founder used it to analogically refer to honey wax - best quality of wax usually used in producing *batik*. This inspires the company to always produce best quality of products using the best quality of materials.

The business started from a course she created to give lesson for those who want to learn making batik in particularly batik Semarang that was triggered by the fact that there was no place in Semarang that could teach her to make batik Semarang when she wanted to learn it. After finishing her lesson of making batik, she opened the course with the help of teachers from the Jakarta Textile Museum.

Later, the founder did not only offer batik class but also produced batik for selling. She moved to a new location in which she built a studio-like place called 'Sanggar' on the 2,500-meter-square land intended to give one stop experience on batik. Here, some units were built for different functions: a gallery for exhibition, a unit for drawing batik, a unit for dyeing, and a joglo (a traditional design of an open under roof space for gathering) for discussions about batik and art exhibitions. Production process also took place here with 37 permanent workers. Most of the workers were women who live surround the Sanggar. They took the patterned fabrics from the Sanggar and did waxing in their houses and then sent the finished waxed fabrics back to the Sanggar for further process.

The founder had a desire to create batik that was specific to Semarang since people knew only batik from other cities such as Yogyakarta, Solo, Pekalongan, and Lasem with their specific designs but people did not know about batik Semarang. She wondered about specific design of batik Semarang.

Her search found that Semarang had been the production center of batik since the Mataram Kingdom in 1700s. The existence of Kampung Batik – a neighborhood in which all the people in the area make batik for their living - is the proof. Nevertheless, the tradition was destroyed during Japanese colonialism in 1940s. With the help of academics, scientists, and experts in culture, she created specific designs of Semarang. The company also reproduced batik made in Semarang during the Dutch colonialism, such as batik Ossterom and Franquenmont. Research-based product is the characteristic of the company's products in order to emphasize the uniqueness of batik Semarang.

BS developed specific patterns by focusing on the artifacts and icons of Semarang city. It divided the patterns into five main categories: city icons (such as *Tugu Muda*, *Gereja Blenduk, Blekok Srondol, Lawang Sewu, Jembatan Mberok,* and *Asem*), historical icons (such as Cheng Ho and Marabunta), culinary icons (such as *Lumpia, Mie Kocok,* and *Tahu Gimbal*), and flora and fauna icons (such as *Merak Njeprak, Merak Mlerok Latar Asem,* and *Cattleya*). The company have produced hundreds of patterns and there were 219 patterns that have already registered in the Directorate of General of Intellectual Property Rights (IPR).

Since the beginning, BS decided to dye their batiks using natural colors – a color produced from a plant, such as *indigo (indofera), jambal (pelthophorum ferruginum), secang (caesalpinia sappan), kayu tegeran (cudraina javanensis), kulit pohon soga tingi (ceriops candolleana arn)*, *jelawe, nila, somba, tunjung, tawas,* and mango leave This natural color becomes the identity of the company.

BS targets the domestic market for selling their batiks but targets particularly foreign tourists for their batik class. Their class has been acknowledged internationally and many foreign tourists from America and Europe attracted to natural coloring come for the class. The company was considering to expand its market to the potential market of Japan whose people also like textile with natural color of indigo.

Profile of the selected companies in Philippines

HP

HP was established in 2011 as a foundation or non-profit organization which was approved by Securities and Exchange Commission (SEC). She acted as the Center's Head health coach and Integrative Nurse. Before she started HP, the founder was an Early Childhood Education teacher in New Jersey and New York City and owned a successful nursing agency in New Jersey, USA for 18 years. She made a 360-degree turn and embraced health and wellness that prioritizes organic and natural things in a lifestyle.

The business idea generated when she was back to the Philippines on her sabbatical leave in 2007. She realized that there was a need in the country for a holistic advocacy. She came across the different energy healing modalities being practiced around the world. She then bought a 17-hectare property in Barangay Cansomoroy, Balamban town in the western part of Cebu where she established her Wellness Farm in collaboration with 20 farmers who embraced organic farming by growing a wide range of vegetables and herbs around its health and spa facilities. The health practitioners, farmers, staff and supporters do a lot of role modelling without being paid. Their beliefs are that “charity” begins at home, you have to love yourself and empowering people to embrace love, peace and healing.

HP is a center for retreats, farmers’ markets, educational events, and workshops that envision a global community working in harmony with nature to sustain healthy lifestyle and provide progressive health education. She designed the treatment programs, products and menus. The name of the company means “grace”, “a gift”, “now”, “no worrying of the future”. It is 100% green marketing practitioner because everything they use in their food programs are organic. Even the activities in the retreat programs are on nature and about nature. Food wastes goes back to the farm as food to the animals. The farm caters to people who seek a healthy lifestyle and alternative remedies to their chronic illnesses.

The two aims of the program are to treat illnesses with Integrative Medicine (natural) and holistic therapies and offer health education. The programs can be customized to the treatment and health education goals.

<u>GT</u>

GT was established in 1994 but the product was brand less for years but in 1996, GT was officially born. It was commercialized in 2009. GT means God’s Talent. It was established to sustain the family income through a clean and honest way. It was an answered prayer hitting two birds in one stone. God gave her the opportunity to practice her chemical engineering degree through this cosmetics business and at the same time providing a modest living for her family and part of the earnings are given back to the marginalized sector of the community.

There were green initiatives when it was established. She used to bake soap at home using the molding pans plus a few kilos of coconut oil and some ingredients for papaya and carrot soaps. She then developed other skin-care products like moisturizing and bleaching creams, sunblock, clarifying toner, carrot lotion and others.

The location of the business at the inception was in Tayud, Liloan, Cebu, Philippines. Currently, GT has transformed the same place as their manufacturing plant and business office. The legal form of the business is a family corporation with more or less 300 promo girls all over the Philippines and 100 plus office staffs & factory workers. There are skin care products such as beauty soaps, cream, toner and lotion which are classified as "green products" (products that are environmentally friendly) because these are made of natural ingredients such as carrot, papaya, lemon and coconut.

Geographically, coverage of the products are both nationally and internationally such as in the Philippines, Finland, USA, Canada, Nigeria, Kuwait, Japan, Korea, and Europe. Most of the consumers of the products are women who desires for beauty and self-fulfillment to their needs.

NL

NL started as a manufacturer of rattan and other indigenous products as raw materials in 1983 then ventured into stone carving industry in 1991. The business was registered as corporation in 1996 and established by a couple. The company established their business to build a community to serve their people -– providing work, housing, and recreation for the workers and their families. They also envisioned those without skills are employable through manufacturing with less use of machineries and no use of electricity.

The establishment was based on its green initiatives during a company sponsored community activity in 2002 wherein they were cleaning in a forested area and collected agroforest debris such as fallen leaves, shrubs and twigs. Instead of burning them as a usual practice in provinces, they experimented these agroforest wastes as raw material for their products. The couple were driven by a creative spirit and guided by a vision of “greening” the furniture industry, the couple decided to turn natural objects into utilitarian works of art.

NL was located in Compostela, Cebu, Philippines during the inception and currently has two showrooms, one in Makati City, Philippines and another one in Mandaue City, Philippines. The factory is located in Compostela, Cebu, Philippines. The legal form of the business is a family corporation and 100% Filipino-owned. There are about 200+ employees depending on the season. Peak is 150 and lean season is 89 and all are permanent employees.

The company manufactured various innovative home furnishings, garden accessories and high end products made from composite materials. Products are environmentally friendly and hand-made from natural crushed stones, made of recycled paper products, made out of agro forest debris, hand-made from high grade cast polymer materials with polyester resins, comprised of specially selected particles of files and polymerized polyester. The geographical coverage of the products are both national and international covering New York, USA, Germany, Europe, Middle East and other Asian countries.

The business consumers of the products from renowned international store chains, hotels, restaurants, government offices have increasing requests and demands. Among local clients, Manila remains its main market. They also tap local designers and architects to use their products in their projects.

Comparative description

The selected companies vary in their profile. In terms of year of establishment, SM is the oldest (established as a modern company in 1951) and HP that started the business in 2011 is the most current one. They also vary in terms of number of employees. Referring to categorization of company by the Statistics Indonesia in which a company is classified based on number of employee, SM and GT are categorized as a large scale company (>100 people). The other four are classified as medium scale company (<20 people).

Different from the other two companies, SM has its manufacturing and marketing facilities in different location. Its manufacturing facility is located in Bergas, Municipality of Semarang and its marketing office is in Jakarta. The others centralize their business activities in one location. Nevertheless, NL has showrooms in deferent places and HP sells its product periodically in a place other than the facility.

All the selected companies have similarity in their type of ownership. All of them are private companies owned and managed by an individual or a family. Currently, SM has already been managed by the third generation. Meanwhile CV is still owned and managed by the owner. She told that none of her children are interested in the business. BS is still owned by the founder but she starts to give her daughter more responsibility in managing the business. Similar to CV and BS, HP and GT are still managed by the couple-founders. Even though the couple still actively manages the business, they have already involved their two sons in the management process by giving them responsibility in respectively marketing and operation.

Variety in the profile indicates that application of green marketing is not dominated by only large company. Medium or even small size may not hinder a company to take green path in their marketing. The chapters of the book will explore their marketing strategy with the focus on greenness of the marketing strategy. The exploration starts with initiatives for being green taken by the founder of each company (chapter 2). Then, it will discuss about managing green marketing in the company (chapter 3). Next chapters focus on green marketing strategy of company in terms of segmentation, targeting, and positioning (STP) and marketing mix. STP is elaborated in chapter 4 and each element of 4Ps of marketing mix (product, pricing, promotion, and distribution) is covered respectively in chapter 5 to chapter 8. Chapter 9 discuss a model of green marketing strategy synthesized from the studied companies. The model contributes in giving reference for studying green marketing in the context of developing country. In the last chapter (chapter 10), the future of green marketing is discussed.

CHAPTER 2
GREEN BUSINESS AND GREEN INITIATIVE

What is Green Business?

The substance of green business concept is rather ambiguous (Cekanavicius, Bazyte, & Dicmonaite, 2014) since the meaning green is considerably wide in its scope (Saha & Darnton, 2005). Referring to what was written by Saha and Darnton (2005), green can relate to variety issues such as ecological concerns, humanitarian concerns, corporate social responsibility, conservation (planet and animal), animal welfare, clean water, fair trade, equality, and sustainability. Issues relating to each of these are obviously broad and complex. The term green not only covers specifically to the environment but also to the living things in it such as humans and animals. A business can participate or take role in ensuring the living things live in harmony each other and with the environment by applying green business.

In more practical level, businesses interpret and incorporate green in a narrow way. Thus, what is considered green to a business may not be so to another (Saha & Darnton, 2005). For some, green business is in general just like any other business in that it must create sufficient profits to continue to operate (Koester, 2010). The difference lies in what green business concern themselves with, which is for example weighing the value of sustainability and human capital. That is why green business is often perceived explicitly or implicitly as being synonymous with sustainable business. Historically, sustainability is a new trend focusing on green issues after for long time the trend was about environmental and ecological issues arisen by environmentalism (Saha & Darnton, 2005).

The term of sustainability does not only refer to the environment but also to the business itself. One definition of green business indicates it. Green business is voluntary actions by a private firm that seeks to achieve better environmental performance and simultaneously to make the company more competitive (Hirsch, 2011). In this definition, firm must not put efforts on only bettering the environment by for example reducing negative effects of the production process but also must try to sustain the business by dedicating its efforts on being more competitive. In the later development, these two concerns have been blended in one strategy, i.e. being green as a competitive action of a firm for strategically winning the market and competitors.

There is a definition of green business that emphasizes such responsibility more explicitly. Green business is defined as a business functioning in a capacity where no negative impact is made on the local or global environment, the community, or the economy (Cekanavicius, Bazyte, & Dicmonaite, 2014). This definition stated that the responsibility of a company is not only to reduce negative effect but should produce no negative effect. A green business can thus engage in forward-thinking policies for environmental concerns and policies affecting human rights.

A company can be “green” by utilizing natural ingredients for manufacturing their products. Such company is termed as a natural-based business and the product manufactured is termed as green product. Herbal drinks, herbal medicines, natural cosmetics, or products developed from biodiversity are among those of green products. However as the concept evolves, green product does not only covers those produced using natural ingredients. Chapter 5 will discuss further about green product.

To sustain the environment, company can pay for the usage of what is called as environmental service and ecosystem (Murniningtyas, 2016). The payment for the usage is for maintaining ability of the environment to produce sustainable resources. For example, a mineral water company shall maintain the forest from which the source of water is located. This is to ensure that the community surrounding and the downstream can have enough supply of water and gain access to the source. The mining companies must also be responsible for returning the functions of the environment by conducting reclamation of the mining area.

A company can engage in Environmental Service Business - a business providing services that relate to the environment, such as creating a business that promotes natural environment for tourists to come (eco-tourism). Some others may offer services in managing waste in the form of waste management and transforming the waste into beneficial products, such as bio-fertilizer, bio-energy.

Company may manage their wastes responsibly using their own resources. Those involving in responsible waste management may be recognized from the following activities:

a. Conduct recycles by collecting packages of their products back into the company and handling them
b. Lengthen the supply chain and apply variety of material utilization
c. Manage waste and throw them away after reaching particular level of safety. By doing this, the company reduces pollution to soil, water, and air.

Activities indicating green can be in many forms. Friend (2009) outlined the activities that can be the characteristics of a green business as follows:

a. Reduce negative environmental impacts
b. Complies with environmental regulations
c. Has a slick green marketing campaign
d. Publishes a Corporate Social Responsibility
e. Has a good environmental management systems
f. Is ISO 14001 or otherwise “green” certified
g. Can sustain its operations into the future indefinitely
h. Enriches the world in which it operates

It however is not obvious how many characteristics a firm should fulfill to be classified as conducting green business. Can it be enough for a firm to fit with only one characteristic to claim itself as a green business? Is it possibly to say that a firm that fit with two characteristics is greener than that fit with one charactersitcs? There have been no discussion about this and can be an interesting topic for future discussion.

Green Initiatives: Reasons for Going Green

The most important challenge in the recent century is the deterioration of natural environment due to overconsumption (Felix & Braunsberger, 2016). Not only developed economies but also emerging ones are pressured to find ways to reduce or reverse the negative effects of overconsumption by promoting pro-environmental behavior for both consumers and businesses. As we discussed before, green consumers are increasing (Ottman & Mallen, Five Green Marketing Strategies to Earn Consumers Trust, 2014) and so are green business (Cekanavicius, Bazyte, & Dicmonaite, 2014). However, green business practices are still far from being universally embraced and applied by business entities around the world (Cekanavicius, Bazyte, & Dicmonaite, 2014).

Applying green business is a choice. It is voluntary actions by a company that seeks to achieve better environmental performance (Hirsch, 2011). There are numerous reasons and motives for companies to go green (Saha & Darnton, 2005). They may have combination of reasons but there is always a primary reason. The reason can be strategic or tactical and can be triggered by internal or external motivations. Possible reasons are discussed below.

More companies are going green. Strategically, they believe that it is the right thing to do and is their responsibility to green the business (Hendry & Vesilind, 2005; Hirsch, 2011; Jone, 2014). Such philantropic or moral concern on green issues lead companies to take strategic and long term perspective (Saha & Darnton, 2005). They go beyond Corporate Social Responsibility (CSR), do more than just charity work, and also implement green measure (Jone, 2014). They believe green business practices can simultaneously make the company more competitive (Hirsch, 2011) and improves corporate image (Jone, 2014; Saha & Darnton, 2005).

Tactical reasons for going green are for example to avoid fines for breach of environmental legislation, costs of waste disposal, costs of remediation or repair, heavy taxes, bad publicity, or to respond to competitors (Saha & Darnton, 2005).

The reasons for going green are not a one-way thing (Jone, 2014). It is not just because companies are concerned about the environment but because it benefits them too. Examples of benefits are cost savings, good publicity, financial gain, achieving competitive advantage, increasing market share, reducing risks, entering into international markets, and attracting potential employees (Saha & Darnton, 2005, p.121). Furthermore, going green not only improves corporate image, shows that they care but also it is for example what customers demand.

Also, it is not only company's internal motivation (business awareness) but also because of pressures from stakeholders such as customers, employees, investors, financial institutions, government, local community, and so on (Saha & Darnton, 2005). Each stakeholder affects the company to do green in three ways. They may directly threaten, directly cooperate, or directly influence business activities. Conflict of interests may arise if company merely reacts to stakeholders' pressure.

Consumer awareness of detrimental effects of products on the environment, both direct and indirect, have prompted many companies to incorporate environmental measures in the manufacturing, administration, purchase, sale and other stages (Srinivas, 2015). More consumers are seeking out greener products, energized by the prospects of healthier alternatives, higher quality, preserving the environment and saving time and money (Ottman & Mallen, Five Green Marketing Strategies to Earn Consumers Trust, 2014).

A study by Hendry and Vesilind (2005) found that the primary reason for greening the business is regulations such as the control of air emissions and pre-treatment of wastewater. Similarly, Saha and Darnton's (2005) study also revealed the same thing: government legislation and stakeholder pressures are the primary motive for most of the studied companies. Generally, many companies recognize benefits by altering their production process to generate less waste. Many others comply the regulations for more tactical reasons such as avoiding penalties for incompliance.

Another reason relates to the nature of the business and the impacts to the environment and social. In practice however application of green in a company can vary between departments or divisions depending on trade of between benefits and costs or risks for not doing something (Saha & Darnton, 2005). Accordingly, even though for many green business practices that maintain and sustain good environmental quality are increasingly becoming a vital component of economic competitiveness resulted from the increased operating efficiencies (Hendry & Vesilind, 2005), but for some others it is still perceived as an extra burden in terms of cost increase or revenue loss.

Greenwashing

Greenwashing is originated in ‘environmental whitewashing’ which means to cover up or camouflage (Akturan, 2018) things related to the environment. It is a negative term implying corporate deceit (Rahman, Park, & Chi, 2015). More specifically, it refers to acts of misleading consumers regarding to the environmental practices of a company or the environmental benefits of a product or service (Akturan, 2018; Rahman, Park, & Chi, 2015). Thus, it can be said that nit is a kind of ‘creative reputation management’ in hiding companies’ deviance (Akturan, 2018). A company create a green claim that is actually not really green. An example of greenwashing practice in hotel industry is a sign stating reuse towel in relations to action to save the planet. This sign can give impression that the hotel has concern on conserving water, when in fact it is just for saving laundry costs (Rahman, Park, & Chi, 2015).

Similar to green practices, green claims are also perceived as important for company’s success. Companies can use it to lure consumers. However, the potential to confuse consumers with misleading green claims is high since green issues are considered as highly technical, complex and fast moving (Ottman & Mallen, Five Green Marketing Strategies to Earn Consumers Trust, 2014). The company should avoid unsubstantiated claims because unclear claims can lead the company to be perceived as a greenwasher (Ottman & Mallen, Five Green Marketing Strategies to Earn Consumers Trust, 2014). A research shows that 44 per cent American consumers do not trust companies’ green claims (Rahman, Park, & Chi, 2015). This indicates that consumers perceive many companies exaggerate their claims. TripAdvisor (2013) reported that even though 99 per cent accommodations worldwide agree on importance for being green but only 77 per cent actually practice it in their place. This is possibly the reason for consumers to be skeptical about the hotels’ motive.

There are three ways a company can use in greenwashing: confusion, fronting, and posturing (Akturan, 2018). Confusion refers to complexion of forms, structures, and procedures within companies. Controlling and limiting documents and information flow to regulators or prosecutors are ways companies can do to manage confusion. Fronting include for example publishing overstated claims, creating image to be associated with green, or rebranding to avoid past association. Fronting is usually used to deal with those control standards of conduct such as ethics officers, ethics committees, or compliance officers. Posturing covers for example employing front groups to support or oppose legislation and to promote moderate middle ground positions, employing front group to examine, define and redefine industrial standards. Posturing is used to convince stakeholders about ethical behaviors.

Greenwashing is executed by media of communication in particularly advertising (Akturan, 2018). There are two types of greenwashed advertising: claim greenwashing and executional greenwashing. The first type is about lying (by using indefinite terms), lying by omission (generating false claims) or lying through lack of clarity (manipulating claims to exclude necessary information). The latter one is about using nature-evoking elements in advertising such as nature imaginary using colors, sounds (birds, the sea) and natural landscapes (mountains, forests).

Study by (Chen & Chang, 2012) revealed that greenwashing affected negatively green trust and indirectly affected green consumer confusion and green perceived risk (Rahman, Park, & Chi, 2015). Besides it increases consumer confusion, greenwashing also increases risk perception and information-seeking behavior as well as gives negative effect on purchase intention, organizational credibility, perceived company performance, market value of the company (Akturan, 2018).

Disillusioned customers shift their purchases to more trustworthy competitors and this can seriously damage the company's credibility (Ottman & Mallen, Five Green Marketing Strategies to Earn Consumers Trust, 2014). Even consumers may be willing to boycott a company if it mislead the claim (Rahman, Park, & Chi, 2015). In other words, greenwashing may create a short term benefit fo the deceptive companies but it may deteriorate the whole green market in the long term. Akturan (2018) labelled it as a loss-loss situation for the market and consumers.

Understanding the Selected Companies on Green Business and Green Practices

This section discusses green business in the view of the selected companies. It is particularly to present understanding of the selected companies on green business. As we can see later, the understanding varies between the selected companies ranging from less to highly understand green business.

<u>SM</u>

SM differentiates understanding of green business from green proper. Green business refers to company's concern to the environment. As far as a company shows its apprehension to the environment, it is a green business. SM highly apprehends the environment and the owners' value of not to harm the environment is always emphasized to the management at all level and all staff. The owner continuously communicates that "things have been taken from the mother earth must be returned to it." Their concern is paid off when it received Kehati Award in 2001 from the State Ministry for the Environment. The award is given to companies that considerably show deep concern to the environment.

Green proper is a measure of compliance to the law of green industry. It is a regulation issued by the Indonesian government under the law no.32/2009 about Guidance on Developing Green Industry Standard. Compliance of a company to the law is divided into four level: black, red, blue, and green that respectively indicates the least to the highest compliance. Currently, SM is granted green proper indicating that the company highly complies with the law after it has been a hard way toward it.

Experience of being granted black proper has improved their understanding on green business and green proper. Granted black proper indicating incompliance with the law has shocked the owner and the management since they thoughtfully had been doing good things for the environment in accordance to their value of not harming the environment but they were seemingly a bad citizen. Later, they found out that black proper was granted to them because they did not report their green activities to the

Ministry. They committed to leave the status of black proper as quickly as possible. They acted aggressively by firstly encouraging the management to understand the law better and know obligations to comply with it. They realized that many things they had been doing so far had actually complied with the law. Then they evaluated everything contributes to the obligation, hired consultants, and invested billions of rupiahs for building more sophisticated waste management facilities. The efforts were finally paid off as they were granted green proper since then.

High concern to the environment makes SM commits to green practices. The management always makes sure everything they dispose is safe for the environment. They manage the wastes and reproduce the wastes into eco-friendly disposals or useful products. They transforms their hard wastes into fertilizer and fuel used in their machines, single waste of ginger into aestheric oil (essential oil), liquid wastes into clear water, and are researching on making domestic waste into drinkable water. SM has been developing their waste management system and facilities by investing on machines accordingly. Besides the commitment, SM also does these in order to maintain their green proper.

As part of their corporate social responsibility, SM distributed free paper bags to the shoppers in malls in Jakarta to support the government regulation in limiting the use of plastic bag. They also contributed in finding way to transform *enceng gondok* (*water hyacinth*) that due to its fast growing has created problems in several areas in Semarang municipality into fuel. The results of how-to make the fuel has then handed to the local government for wider dissemination and application by the community. They cultivate local herbs farmers by teaching them how to plant and harvest correctly and assure them that their buy their harvests.

<u>CV</u>

CV has different definition of green business. They relates green business to green product. According to the owner-manager, a company producing green products is a green business. The understanding on green product was developed through the owner-manager's participation in APO (Asian Productivity Organization) from which she finally knew that her products can be classified as green product.

Green product is a product that is produced using natural ingredients. Her products are green product because they use original and natural Indonesia herbs. Probed further, her green claim on green product is based on some reasons: no chemicals added to the products; the herbs are bought from farmers who plant with no synthetic fertilizer and who reap the herbs only in their best time; no plastic wastes; and no hazardous wastes.

CV does not do as many green practices as SM. Even though CV believes that their wastes do not bring any harm to the environment, the company still applies waste management facility to comply with the regulation. Similar to SM, CV also cultivates farmers from whom the company buys herbs. The farmers are taught how to plant well without using chemical fertilizer so the plants are green processed. As a result, they were granted certificate of *eco-friendly product* from Hazard Analysis Critical Control Point (HACCP) indicating that their products are natural and safe.

BS

Similar to CV, BS relates the understanding on green business to green product. According to her, green product is a product that uses natural ingredients and is free of chemical. Confirmed whether their batik is green product, the manager stated this: "... the staff of the Environmental Agency who already inspected our company several times told us that some of our products can be considered as green product..." In her knowledge, green product is identical with eco-label product since the Ministry for the Environment certifies a green product with eco-label. This is the reason of the company to apply for eco-label. They see benefits from having eco-label since it indicates green claim that can attract especially foreign customers whose awareness on green product is relatively high.

BS's way to produce totally green product depends heavily on textile companies. Very few textile companies from which they buy 'mori' - plain white cotton fabrics used to make batik - that produce 'green mori.' BS identifies green mori from ecolabel attached to it. BS prioritizes to buy green mori instead of regular mori. Even though natural color is their main concern, BS does not produce solely natural coloring batik. They also produce chemical coloring batik (regular batik) as responding to customers' demand on regular batik and as considering the fact that natural coloring batik is still a niche market that is possibly due to low awareness of Indonesians on green product. BS wants to educate the community about green product by keep producing natural coloring batik.

The BS manager admitted that the company produces wastes even though they use natural colors. They install wastewater treatment plant (WWTP) or IPAL (Indonesian: *instalasi pengolahan air limbah*) and had been developing this treatment from a very simple system at the beginning (by distilling the wastes) to a research-based system. They are currently testing the possibility to transform the wastewater into fertilizer and are on the stage of testing the safety of wastewater for plants. It has been recognized that the waste is safe for plants. Besides the waste treatment system, BS also tries to recycle wax used in making batik. Among others, wax is the ingredient that can be recycled continuously. Used wax is processed into reusable wax.

HP

It is not that clear whether the founder of HP understand about green business. However, it is very obvious that they practice green marketing. The business produces 100% organic food and nature-related programs. Everything they use in their food programs are organic. Even the activities in the retreat programs are on nature and about nature. They thought this way is a good and right thing to do in helping people who seek a healthy lifestyle and alternative remedies to their chronic illnesses.

HP's green practice is applied through their basic thought of 100% organic and natural and thus there are no hazard wastes are generated. They manage the wastes as food to the animals in their farm and install no specific facilities for managing the wastes. So, such practice is from nature and back to nature. In line with it, they also use rain water for watering the plants.

GT

GT was established with economic consideration. The company aims to create perception to their consumers that GT creates affordable and premium cosmetic products without compromising its quality and efficacy. They also aim to give perception that Philippines can produce cosmetics that can compete globally with international brands. In designing such products, the ingredients to be used are the main focus. They make sure that the ingredients used are environmentally friendly and do not harm the environment and human consumers. They also consider the process being utilized in manufacturing the product. They make sure that the manufacture of product won't cause any harm and that they make sure that there will be a zero-waste process as much as possible. If inevitable, they make sure there is proper procedure in handling such waste. As part of the company's corporate responsibility also, they make sure that they are compliant to all legal requirements specially pertaining to the environment. Even though their business obviously orients to green but it is unclear about their understanding on green business, i.e. whether their green practices based on their understanding or on regulations that enable them to compete globally.

NL

It is also not that clear about understanding of the couple owner-manager of NL on green business even though they have clearly practice it. They produce green products addressed since the inception of the business to the Europeans that were already practicing environment-friendly furniture production since 1996. Their products are green both in the sustainable raw materials used and the manufacturing processes behind the creation of these products. However, the company does not really consider things related to the environment in designing their products. They just want to create particular perceptions in the minds of the consumers that the products are patented and innovated from sustainable sources and manufacturing processes. It seemingly that they concern more on sustaining the business by protecting the innovations and committing to produce the products using particular processes as their advantages.

The company has integrated some company policies in reinforcing the greening initiatives such as purchasing policy of ensuring the quality and source of input production materials, the raw material policy in which materials should be locally sourced within a 50-kilometer radius and recyclable, packaging may utilize as little packaging material as possible to avoid waste when it reaches the clients and minimizes shipping costs.

The Green Initiatives of the Selected Companies

The selected firms show similar initiatives in starting their business in which they did not realize at the beginning if their business ideas are so-called green initiatives. They did not know if their willingness to produce the product in a way they have been doing so far is a green initiative. Their commitment since the beginning was only to produce the product that is viable to the business.

Even though SM producing herbal drinks historically had similar process but long experience in the business has made the management to have highly commitment to the environment. The management always emphasizes to all employees in every level the principle that things taken from the mother earth must be returned to it. This principle has been the driver for activities in the firm that are always directed to prevent damages to the environment. For this purpose, the firm has invested millions of rupiah for building and developing their waste management facilities so that every waste is safe for disposal and is reproduced to becoming useful products.

CV started the business by commercializing traditional way of local women who use natural materials available in the area in beautifying themselves. The opportunity for the natural cosmetics was seen as high by the founder. Cooperation with farmers which supply the materials was established in order particularly to assure that the materials are sufficient in quantity and quality as needed.

For BS, the use of leaves, steams, and roots of particular plants for coloring process in cloth was viewed as a way to differentiate product. The founder did not know if this way contributes to greening the environment by reducing chemical wastes resulting from the coloring process that commonly used by firms producing similar clothes.

Similar initiative was the trigger of the founder of HP. She realized that there was a need in the country for a holistic advocacy in health and wellness by promoting a lifestyle that prioritizes organic and natural. She then established her wellness farm in collaboration with 20 farmers who grow a wide range of vegetables and herbs around its health and spa facilities.

The founder of GT used to bake soap at home using coconut oil and papaya and carrot. She then had initiative to develop other skin-care products like moisturizing and bleaching creams, sun block, clarifying toner, carrot lotion and others and commercialized them.

The initiative for starting producing green home furnishing by the Philippines firm was a spontaneous idea when they were cleaning in a forested area surrounding the production facility and collected agro forest debris such as fallen leaves, shrubs and twigs. Instead of burning them as a usual practice in provinces, they did experiment to these agro forest wastes as raw material for their products and turn natural objects into utilitarian works of art.

Between Understanding and Practices

The green initiative held by each selected company such as not to harm the environment and to use only natural ingredients leads their actions accordingly without knowing that the actions are green practices. They did actions that reduce negative environmental impacts by for example installing wastewater treatment plant even though they install it to comply with environmental regulations. Their compliances result in green certification awarded to them, such as green proper, ecofriendly product and eco-label. Since the companies have the characteristics of green business outlined by (Friend, 2009), they can thus be clasified as green business.

However their understanding on green business still varies in which green business is defined broadly and specifically. As defined broadly by SM, green business is a concern to the environment. In a more specific one, CV and BS relates it to green product or eco-label product. The Philippines companies do not think particularly about green business. They wanted to create product uniqueness that possibly can sustain their business. Pertaining the regulations is also a business consideration. For NL and GT, complying green regulations means a ticket to go abroad and to target foreign markets that concern on green. This varied definition confirms Cekanavicius, Bazyte, and Dicmonaite (2014) who stated that the green business concept is rather ambiguous.

Here, the ambiguity is possibly originated in the limited knowledge the companies has about green business. For example, BS knew it in terms of green product and eco-label so that their understanding on green business relates to green product and eco-label product. Even SM seemingly differentiates their understanding on green business from that on proper. Green business is likely stimulated by internal motivation, i.e. concern, while proper is stimulated by external trigger, i.e. the law. Those who do not have concern on the environment but do try to comply with the law or regulation are proper, not green business, and vice versa. However none of the companies relate their understanding to sustainability.

The green practices are also varied ranging from simple thing such as installing waste treatment plant in the company to involving in solving community problems such as innovating water hyacinth into useful thing. Referring to Hendry and Vesilind (2005) who stated that the primary reason for greening the business is regulations, the actions of the studied companies are not solely focus on compliance to the regulation but also concern on sustainability of the business.

CHAPTER 3

GREEN MARKETING MANAGEMENT

Introduction to Green Marketing

The concept of green marketing is introduced by Bell, Emeri, and Feldman in 1970s. They outlined that marketing concepts have been misplaced to intensely satisfy customers' needs only and disregard interests of the community and the environment in the long run (McDaniel & Rylander, 1993). Since then, companies consider environmental issues in every aspect of their marketing activities. Such new phenomena is labelled as green marketing (Abror, 2011).

The term of green marketing is interchangeably with the term of environmental marketing, ecological marketing, sustainable marketing, greener marketing, and societal marketing. The term ecological marketing was introduced by Henion and Kinnear in 1976 in a workshop conducted by The American Marketing Association (AMA). Ecological marketing refers to study on positive and negative impacts of marketing activities on particularly pollution, energy decrease, and non-energy resources decrease.

Societal marketing was introduced by Kotler in 1976. Kotler stated that this is a responsibility of an organization to define needs, wants, and interests of the target market and satisfy them better and more effective than the competitors in a way that protect or increase welfare of consumers and society (Kotler & Keller, Marketing Management, Thirteenth Edition, 2008).

Variety definitions of green marketing exist in which each shows different scope. Here are some of them. Polonsky (1994) defined green marketing as activities designed to generate and facilitate changes that are expected to satisfy human's needs and wants with minimum impacts to the environment. Following Polonsky, Peattie (1995) defined green marketing as holistic management process that is responsible for identifying, anticipating, and satisfying the needs of consumers and society in a way that is profitable and sustainable (Yadav, Dokaina, & Pathak, 2016). Another definition is that green marketing refers to marketing activities that are directed to minimizing the negative impacts to the environment (Weisstein, Asgari, & Siew, 2014).

Green marketing can thus be viewed as marketing strategies that use environmental issues to market the products. This is in accordance to Kotler and Keller (2008) who define green marketing as the movement which is directed towards organizations production of products responsible environmentally.

The American Marketing Association (AMA) defines green marketing as the marketing of products that are presumed to be environmentally safe. It incorporates several activities such as product modification, changes to production processes and packaging, advertising strategies and also increases awareness on compliance marketing amongst industries (Yazdanifard & Mercy, 2011). More specifically, AMA provides different definition of green marketing based on the scope of the activity. In retailing, green marketing is defined as the marketing of products that are presumed to be environmentally safe. In terms of social marketing, it is the development and marketing of products designed to minimize negative effects on the physical environment or to improve its quality. The definition of green marketing in terms of environment is the efforts by organizations to produce, promote, package, and reclaim products in a manner that is sensitive or responsive to the ecological concerns.

Toward Green Marketing

Green marketing are not yet embraced universally (Cekanavicius, Bazyte, & Dicmonaite, 2014) and applied by only few businesses in the world. However its importance in supporting environmental sustainability has been considerably higher since marketing can contribute significantly in developing and manufacturing green products (Dangelico & Vocalelli, 2017). There are reasons for companies to implement or not to implement green marketing. They can be classified into five (Abror, 2011):

1. Chances. Consumers are becoming aware of importance of the environment and they gladly change their behavior in consumption by refocus their buying to products that are environmentally friendly. Even they want to pay premium price

for such product. This is a chance for companies to offer environmentally friendly products and gain advantages from it.

2. Social responsibility. Companies realized that they are part of the community and have responsibility to take part in sustaining the environment. This way can contribute to achieving companies' goals to gain profit. There are two choices a company can take regarding to their concern to the environment. They can communicate their concern to the environment to the community and consumers as marketing tools or they just do it and not communicate it.
3. Government pressures. Government creates regulations to protect consumers, community, and the environment. They create regulation to ensure that products offered by companies are safe for consumers, to minimize production of products that harm the environment, or even to change behavior of consumers and businesses in consuming products that can damage the environment. Since a regulation bring legal consequences for those who do not comply with it, regulation thus becomes a pressure for related entities. In terms of green marketing, companies try to comply with environmental regulation for them to be able to sustain their business.
4. Competition. Green has become a strategy and more companies apply it in their business. They can use green to be better than the competitors or otherwise they cannot compete. For this purpose, many companies modify and reduce their behavior that bring damage to the environment.
5. Costs or benefits. Being green in the marketing can reduce costs or increase ability to be more profitable. Effort to reducing wastes can be done by reevaluating and modifying the production process. This can result in more productive process that lower costs. The wastes can also be modified to produce other products that can additional generate income for the company.

It can be stated that those implement green marketing are those see benefits from implementing it and those do not implement it view it as costs.

There are two approaches in implementing green marketing: defensive approach and assertive approach (McDaniel & Rylander, 1993).

1. Defensive approach is an approach in which company does green in its marketing with minimum proportion in order to avoid possible negative consequences. The consequences usually relate to compliance to regulation. In other words, company tries to comply the regulation as least as possible to those bring negative consequences to the company. The approach is thus called as reactionary.

   Based on how deep a company complies with the regulation, they can be classified into three. First, a company only fulfill minimum standard as required by the regulation in order to avoid penalty such as obligation to pay higher tax for not complying with the regulation. As far as there is no penalty for not doing it, companies tend to not doing it. Second, a company fulfill minimum standard of environmentally friendly product to avoid consumers boycott to the product that is considered not green. Third, a company tries to imitate competitors' behavior toward the environment in a lower level than what actually they can do.

   This approach does not give significant influence on company image since consumers may perceive that the company is not better than the competitors in their concern to the environment. In other words, minimum concern to the environment cannot be used to create competitive advantage.

2. Assertive approach is an approach in which the company becomes the first mover in implementing green marketing. That is why this approach is considered as aggressive strategy. Company applying this approach will conduct activities that are beyond the standard required by the regulation or above what is expected by the consumers. Nevertheless, they are more responsive to consumers' expectations than to the government's regulation. They thus can use this strategy as their competitive advantage.

   The advantage of being the initiator is that company can leverage their good image in the eye of consumers. Good image can contribute in gaining higher profitability. In the long-term it creates sustainable competitive advantage. The second movers or other followers cannot be able to gain similar advantage because consumers may be skeptical and think that they only imitate the success of the first mover and be late in responding their expectations.

By applying this approach, company actually involves in environmental long-term planning. This gives company advantages in the future as environmental issues have been becoming more important and those do not have concern to the environment will predictably face declining market share.

The other advantage relates to compliance to the regulation. Company can minimize negative impacts of governmental assessments on green practices. By going beyond the standards required by the regulation, company can focus more on strategic actions according to the green concerns rather than on administrative actions regarding to the compliances to the required standards.

Challenges in practicing green marketing

To practice green marketing is more complex than to practice conventional marketing and thus it is a challenge to create an effective green marketing (Marketing-Schools.Org, 2016). Practicing green marketing must be comprehensive and business-wide (Marketing-schools.org, 2016). It means that every element in a company must embrace green in their activities. For example, it is insufficient to advertise the green properties of a product or the company if the production and distribution disregard environmental concerns. Failing to do so can cause the firm is labeled as green-washer and this can harm the company's credibility and customers' trust. Customers who loss their trust to a company can then shift their purchases to more trustworthy competitors (Ottman & Mallen, Five Green Marketing Strategies to Earn Consumers Trust, 2014). Thus, company needs to provide consumers with information about its business for them to evaluate company's claims and reputation. Company should promote awareness of its products' histories, including origin and manufacturing. Here, company has to be honest, transparent and should avoid unsubstantiated claims.

The aim of green marketing is different according to the level of green a company want to be. The level of greenness comprises green, greener, and greenest (Grant, 2009). In the green stage, green marketing is to communicate that the brand or the company is aware of the environment. In the greener stage, it is to change the ways of customers in consuming the product. In the greenest stage, it is to change customers' culture or habit toward the higher concern on the environment and become loyal customers of green product.

Researches show that problems in developing green marketing are the same as those in developing effective marketing in the past. Peattie and Crane (2005) mentioned five problems contribute to the failure of green marketing manifestation. They are green spinning, green selling, green harvesting, enviropreneur marketing, and compliance marketing. Each is described below: (Peattie & Crane, 2005, p. 360-364)

1. Green spinning is a reactive approach a company takes to counter critics from publics regarding to publication of its green stance. In responsing the critics, company frequently uses PR offensive, glossy brochures, lobbying, and press releases. This suggests that green marketing is located within PR function that has very little influence on product, production, and policy decision. PR primarily functions is to put forward company's reputation and deny or dishonour noncoforming voice. The focus of this approach is apparently reputation management and risk management. Peattie and Crane (2005) stated that company with this approach is rarely engaged in communication with stakholders who have concern on the environment and do not embrace the green marketing in a significant extent. Therefore, it is predictable that they can be fail.
2. Green selling is an opportunistic approach in which company takes advantage of 'green' that is becoming the trend. In other word, they 'sell' green by adjusting their promotional campaigns telling about environmental features in their existing products. Companies with this approach focus their interest to the environment only on promotional activity. They may very limitedly modify their product to have green atributes. What they actually do is to keep producing the existing product and modify their promotional campaign to claim green attribute of the product in order to boost sales. This had been the practice of many companies in 1990s. Consumers found no proof of green claims on the product and this lead consumer cynisim and suspicion. This is the reason for many green products underperformed significantly. Companies identifying this trend realized that their claim was lack of authentication and thus developed certification programs to gain customer confidence. This

however did not solve the problem since a lot of symbols or logos emerged for certifying environmental benefits still make consumers confused. As a result, green is seen as a fruitless marketing strategy.

3. Green harvesting approach emerged after many companies consciously chose not to use green for boosting sales (green selling). When it came to the fact that becoming green could save costs, marketers were enthusiastic about the environment. Nevertheless lower costs gaining from efficiences in material, reduction in packaging, and rationalization of inventory did not automatically mean greener product or brought the price down. Green product is sold in higher price. Two things cause this. First, it relates to social and environmental costs involved in processing the product that are put into the price. Secondly, higher price is a strategy to create image that green product is a premium product and thus have higher price. Thus, the perception of more expensive green product hurts the market penetration.
4. Enviropreneur marketing is “a committed individual, section, or company seeks to bring innovative green products to market” (Peattie & Crane, 2005, p. 362). They are divided into two: boutique enviropreneur marketing and corportare enviropreneur marketing. The first refers to those who have involved in marketing of innovative green product by small start-up firms, while the latter are large organizations that marketing green brands beside producing non-green products. The enviropreneur marketing usually are in rush to bring what they think as worthy green products into the market. They do not consider much on the most important constituency - the consumers. Many of them start with production orientation in which they focus only on how to produce products that bring most environmentally benefits and not on the products consumers actually wants. Luckily, much research has found that consumers now are willing and able to buy green products. Nevertheless, it is not enough for enviropreneurs marketing to respond to this fact rationally. They must know exactly what kind of products consumers are going to buy, in what price that is worthy according to the product performance, and what marketing approach consumers may want to respond to. That is the reasons why

they end up with under-performed, over-priced, and unsexy products. On the other side, consumers do not find valuable reasons for buying their products.

The fact shows that companies producing and selling higher-priced green products have always struggled for market share in both consumer markets and business-to-business markets (Marketing-Schools.Org, 2016) even though more consumers favor green products and are willing to pay more for them. However, this does not mean that the majority of purchasers do not care about green marketing, but they also care about other competitive value propositions, including quality, convenience, and cost. As Ottman and Mallen (2014) stated, more consumers are seeking out greener products, energized by the prospects of healthier alternatives, higher quality, preserving the environment and saving time and money.

5. Compliance marketing refers to companies whose green initiatives do not go beyond expected by regulation. They only do as minimum compliance as possible for the reason that their small compliance to the environmental regulation as an opportunity to promote their green credentials. They will go beyond as far as there is a very real benefit they get by complying it. It can be said that compliance marketers apply proactive and reactive approach. In one side, they respond proactively to the pressures for change, and in another side they reactively put barricades against any further legislation.

Holistic approach of green marketing

Green marketing connects marketing activities to the environment. Here, company adapts or modify product, production process, packaging, promotion strategies, and increasing awareness on compliance marketing amongst industries (Yazdanifard & Mercy, 2011). It thus requires a holistic approach (Marketing-schools.org, 2016).

The approach means that a company cannot simply highlights green aspect of its product to be considered as practicing green marketing. It must also show real concern and commitment to the environment in all levels, such as in production processes or environmental engagement. Otherwise, customers' skepticism on the company's green claims increases and customers may think that company focuses only on seeking profit and not go beyond green washing. It can be labeled as a green-washer. This suggests that company cannot simply highlight a green aspect of its product to make it looks environmentally friendly. It must show real concern and demonstrate its commitment on multiple levels, such as in production processes or environmental engagement. It is apparent that companies applying green marketing must deal with more complexities and bigger challenges than those applying conventional marketing.

Issues in practicing green marketing

Different issues from those applying conventional marketing are possibly encountered by the management of the companies practicing green marketing or promoting green products. On the other side, they may see opportunities for the companies to grow from it.

Specific issues in practicing green marketing relate to demand, costs, and consumer perception (Gurau & Ranchhod, 2005). Demand for green product is relatively low due to lack of consumers' awareness on green product. As a consequence, majority of firms offering green product have been struggling for their market share (Marketing-schools.org, 2016). Many firms also still view that greening the marketing activities is costly in terms of monetary and non-monetary and potentially reduces the profit because the firms have to carry extra burdens of environmental expenses on their all activities (Ottman & Mallen, 2014; Solaiman, Osman, & Halim, 2015). As the consequence, green products are usually offered in higher price than conventional products (Solaiman, Osman, & Halim, 2015; Sudhalakshmi & Chinnadorai, 2014; Yazdanifard & Mercy, 2011). It is more costly for consumers to get green product. Green products are also perceived as fail to meet consumers' expectations (Solaiman, Osman, Halim, 2015; Sudhalakshmi & Chinnadorai, 2014) because they more often have unglamorous image (Gurau & Ranchhod, 2005). They are boring and uninteresting in their look for some consumers.

Green marketing practices in developing countries

Studies on green marketing have focused more on consumers rather than on businesses. Most study on consumers addresses behavior of consumers under the specific term of green consumer behavior (Naderi & Van Steenburg, 2018; Thakur, 2016; Yan & Yazdanifard, 2014) or more specifically green purchase behavior (Delafrooz, Taleghani, & Nouri, 2014; Govender & Govender, 2016; Gupta & Ogden, 2009), intention to purchase green product (Kalafatis et al., 1999), and factors influencing the purchase of green products (Kumar & Ghodeswar, 2015; Lin & Chen, 2016). Studies focusing on businesses are not as massive as the first and have been in the context of developed countries, such as Europes and US (Abdelzaher & Newburry, 2016; Fraj, Martinez, & Matute, 2011). Only few are in emerging countries (see for example Chouhary & Gokarn, 2013; Durmaz & Yasar, 2016). This can happen for several reasons.

There has been a tremendous growth on environmental concerns and awareness in the developed countries that leads to the increasing demand for green products during the last few decades (Kumar & Ghodeswar, 2015; Naderi & Van Steenburg, 2018). Accordingly, markets for green products are also mainly in developed countries such as Western Europe, North America, and Australia (Gurau & Ranchhod, 2005). As a result, companies in the developed countries practicing green marketing have been tremendous in number (Puopolo, Teti, & Milani, 2015). The contrary happens in emerging countries in which markets for green products are still limited and companies practicing green marketing are still infant. Nevertheless, unsatisfied demand in those countries has created opportunities for companies in emerging countries to serve the demand (Kumar & Ghodeswar, 2015).

Green issues in the selected companies

SM

SM expects that its market will grow on average 30% per year for several reasons. First, ritual to drink *jamu* still exists in the community and thus market opportunity for *jamu* is considerably high. Second, interest of the community to natural medicines such as *jamu* has been increasing along with the increase in awareness for going back to nature. The market is thus expected to keep growing in the future.

SM is ready for catching up with growing demand. Internally, it has excellent manufacturing facilities with modern laboratory to support R&D and strong capital. Externally, the company is located in the country that is rich with natural resources providing eternal source for producing *jamu*. SM serves national market and expands internationally by serving European markets in particular and Asian countries.

The management and the owner highly concern on the environment and emphasize importance to take responsibility to the environment. In general, they do not have significant problems in marketing its products because they do not expose green issue of the products and sell the products as regular ones. The problems are more practical ones that relate to its activities in complying with green business regulation. For them, the compliance can be dynamic which means the company may fail to comply with the regulation and be granted as improperly comply. The green claim may thus mislead consumers. Based on this logic, the company think the most important is not the green claim but the company image. Nevertheless, the management is not sure if such commitment affects the sales. This indicates that the company's commitment to the environment is not for take advantages of the issues but it is their responsibility to do good thing to the environment.

The society image on the product shows that people in general put more trust on pharmaceutical products than on *jamu* for their healing purpose. SM wants to position *jamu* as modern, hygiene, and dependable product that equitable to pharmaceutical product and be the top of mind in the industry. For this the manager stated, "*It is clearly about image. ... For the local herbal drink industry, everyone knows that it must be SM. Yes, we must maintain our image. ...*"

CV

The markets of the company cover national and international. Its markets abroad include countries in all continents. In Asia, it covers Singapore, Malaysia, Hong Kong, China, Philippine, Egypt, and Bahrain. In America, it serves the USA markets. The European countries it covers are French, Switzerland, the Netherland, Italy and Germany. The products marketed to other countries must comply with particular clinical standards. This has been the barrier for CV to expand the markets further because the cost for compliance is deliberately high.

Even though there has been no negative issues in relation to the products faced by the company, it however has been struggling with the acceptance of the community on natural products. It thus see importance to educate people. About this the owner-manager stated, "*We must educate [the community] about the product.*" The education may help in exploring the market opportunity.

BS

There is no significant issues faced by the company in marketing the product. Low awareness on green product is the main issue faced by BS in selling its natural dyeing batik. The company keep producing its green batik is to educate people. Internally, the company needs to educate the management and employees since their knowledge on green product still considerably limited.

In production, the issue relates to materials. The company may have to use non-green fabric they use in producing its green batik. This may create confusion to consumers regarding to the claim that the product is a green product.

HP

The issue faced by HP is green certification to certify its products as being green. The company's lack of funds is the reason for this. Therefore, it takes educative way to immerse its values about life empowerment by embracing love, peace and healing to as many people as possible. The company believes that it is easier for it to sell and promote their products and services using the shared values they have with their customers.

GT

There is no practical green issue faced by the company since it is compliant to all legal requirements. In case there is a negative issue, the management will take any corrective and preventive decisions to correct and prevent the issues including the risks may involve in the decisions.

The issue the company has in selling and promoting the products to the customers is penetration of new players into the market. To deal with this, GT invests more on the quality and effectiveness of the product and the use of premium ingredients ease the company in selling and promoting the products to the customers in especially higher competition condition. The company relies more on word of mouth testimonies in selling the products.

The management sees marketing the products as an opportunity for having a manufacturing facility that is fully committed in complying legal requirements and being one of the few manufacturers that are certified by the international standards and being one of the cosmetic innovators in the Philippines specialized in using endemic natural resources only found in the Philippines.

NL

The management of the company claims it never deals with negative green issues from any of their stakeholders. It is probably because the company shows consistently its values in terms of ethical practices and concern for the environment. It however thinks that consumer awareness on green products and lack of government intervention are its biggest issues.

Consumer awareness on green products is considerably low and the company should educate consumers on green consumerism and encourage them to purchase from the local market. Meanwhile lack of government intervention is seen from the fact that there is not yet green certification available in the Philippines. Those available from Europe or United States are high cost that the company cannot afford it.

It can be summarized that there are no specific green issues faced by the selected companies. However, they consider low awareness of consumers on green product is the biggest challenge for them to market their green product. For the companies in Philippines, green certification is more prevalence issue than those in Indonesia that limit them in exposing green in their marketing programs. The other issues are deliberately regular business-related issues such as competition.

CHAPTER 4

GREEN SEGMENTATION, TARGETING, AND POSITIONING

Many marketers use the STP approach (Segmentation-Targeting-Positioning) to provide the framework for marketing planning objectives. A market is segmented, one or more segments are selected for targeting, and products or services are positioned in a way that resonates with the selected target market or markets. The process of market segmentation is an attempt to simplify the process of selecting potential buyers for a product, the segmentation for consumer marketing varies somewhat from the strategy for business-to-business marketing.

Green segmentation

Market segmentation is the act of subdividing a market into distinct, meaningful, and identifiable but possibly overlapping subsets, with the aim of targeting by utilizing a distinct marketing mix (Yilmazsoy, Schmidbauer, & Rosch, 2015, p.984). To group consumers according to characteristics that are relatively homogeneous and to know the size of consumer segments will help company in determining which offerings to develop, how much their prices, how to communicate their benefits, and how to distribute them to the target consumers. Good segmentation strategies separate potential buyers from people that do not have the needs of the members of a buying group (Dahlstrom, 2011).

According to Lamb (2009), segmentation of the market plays a critical role in the development of business strategies that yield desired value of companies, their suppliers and their customers. It enables the companies to identify the needs of every members of the group which has similar needs and it also enable to analyze the characteristics and the buying behaviors aspect of the consumer.

The characteristics commonly used for defining market segmentation are geographic location, demographic/socioeconomic, behavioral, and psychographic. Among them, the first two are the most common characteristics for segmenting the markets. Nevertheless, many segments are not always defined by those two major characteristics (de Paco & Raposo, 2009). Nowadays, market segmentation effectively combines and blends several characteristics of the consumers. Behavioral and psychographic aspects are considerably more relevant to be used in the stage of dynamic changes in the markets.

Similar to this in conventional marketing, market segmentation is also an important concept in green marketing and becomes more relevant to businesses currently. Rex and Baumman (2007) confirmed that green marketing can learn from conventional marketing in promoting green product and it can work in relation to the strategy of green segmentation, targeting, and positioning. Nevertheless, there are still questions on the appropriateness of conventional segmentation for being applied in green marketing (de Paco & Raposo, 2009). Some argued the relevance of segmentation approach for green consumers. Demographic criteria that are usually used for conventional segmentation are inappropriate to segment green consumers (de Paco & Raposo, 2009; Yilmazsoy, Schmidbauer, & Rosch, 2015). Many studies have found inconclusive or ambiguous results. The demographic criteria are not as useful as psychographic ones. Studies then shifted to focus on psychographic criteria such as personality measures, environmental values, knowledge, attitudes, behavioral intentions (Yilmazsoy, Schmidbauer, & Rosch, 2015). Many researchers agree that attitudinal is considerably a better variable for segmenting green consumer. Straughan and Roberts (1999) suggested that environmental segmentation is considerably more appropriate than demographic segmentation. It is thus a challenge to determine a set of criteria for assigning green consumers into homogeneous groups and to determine criteria or variables is the first step in segmentation.

Distinguishing green consumers from other consumers is not easy. De Paco and Raposo (2009) have identified criteria for green segmentation generated from a comprehensive literatures study. They used similar criteria to those applied in conventional segmentation which cover demographic, behavioral, and psychographic. Geographic criteria was disregarded as they focused their study in a particular country and thus consumers were presumably similar in term of geographic location. To emphasize on the green aspect, they added environmental characteristics in segmentation which differentiate segmentation in green marketing and conventional marketing. Table 4.1 summaries the criteria.

Table 4.1. Characteristics for Green Market Segmentation

Variable	Criteria
Demographic	Age, gender, family dimension, religion, subculture, education, job or occupation, income, social class, habitation type
Psychographic	Lifestyle, personality, motivation, values
Behavioral	Knowledge, attitude, product usage, purchase behavior, brand loyalty, benefits
Environmental	Concerns, perceived behavioral control (PBC), knowledge, affect, commitment, ecological consciousness, subjective norms, activism, environmentally friendly behavior, green products buying behavior, information search, willingness to pay, recycling, and skepticism toward environmental claims.

Source: de Paco and Raposo, 2009, p.369

Based on the determined criteria, de Paco and Raposo (2009) generated three green segments: uncommitted, green activists, and undefined.

1. The uncommitted

   This segment consists of young people with high educational level, living in urban areas. They have very negative position in some environmental aspects despite the fact they claim to have environmental knowledge.

2. The green activists

   The segment consists of highest education, working in more qualified jobs, and earning higher incomes. They have favorable position in relation to all environmental aspects, but they show themselves to be skeptical about the promotional and advertising claims made by companies.

3. The undefined

   The undefined includes individuals from the higher age groups and those with lower educational levels than the other segments. They have very negative positions towards environmental issues although they are activists which are curious. They have positive attitudes towards recycling and claim to have little knowledge about environmental issues.

Referring to the Theory of Planned Behavior (Ajzen, 1991), positive attitude toward the environment should direct to green behavioral intentions that in turn manifest in actual behavior that must also be green behavior. Such behaviors cover for example buying environmentally friendly products, consuming less, recycling, boycotting companies that do environmental harmful actions, or encouraging others to have environmental concerns. It however is not always happened in that way. Studies show inconclusive findings in which some show strong relationship between green attitudes and green behavior, while some other indicate that green attitudes do not necessarily result in green intention and behavior. A possible reason for this is priority on economic considerations over environmental considerations. One may buy regular products over green products because the latter is more expensive or is less available. Other reasons may exist.

The reasons are possibly different between people in one country to another. This creates difficulty for global marketers to segment green consumers across nations. Yilmazsoy, Schmidbauer, and Rosch (2015) outlined that even though some studies attempted to investigate cross-national green segmentation but there have no study that comprehensively provide possible bases for green segmentation across nations. The possible reason is the possibility in which good attitudes toward the environment do not necessarily imply environmentally friendly behavior. Other reasons are for example economic factors, social pressure, laws and regulations enforcement.

Studies applied different criteria on green segmentation and commonly combine several criteria rather than use only single criteria. Demographic criteria always present as one criteria that are combined with environmental criteria. Examples of demographic criteria are age, education, income, gender, marital status, number of children, while environmental criteria include perceived accessibility of environmentally friendly products, affection toward buying environmentally friendly products, harm avoidance, environmentally friendly buying behavior, past environmental behavior, perceived influence of green groups, environmental concern, environmental knowledge, environmental activism, perceived consumer effectiveness. Yilmazsoy, Schmidbauer, and Rosch (2015) suggested to use positive attitudes toward the environment, green living, green consumption, and degree of engagement in behavior that results in less footprint on the environment as possible bases for comparative green segmentation across nations.

In their study on China, Germany, and Turkey, they ended up with different results of green segmentation according to the country. Respectively four segments are identified in each country. Those in China comprise of committed, responsible shoppers, economically motivated, and inactive. Meanwhile, the segments in Germany are responsible shoppers, routine oriented, compliers, and objectors. Finally, the Turkish are grouped into emotionally concerned, routine averters, inactive, and unmoved.

Ginsberg and Bloom (2004) categorized consumers into five groups based on their degree of greenness (Weisstein, Asgari, & Siew, 2014). The degree of greenness is "the extent to which consumers would prefer to choose a green product over one that is less friendly to the environment when all other things are equal" (Weisstein, Asgari, & Siew, 2014, p.231). The groups of consumers are:

1. Greenback green (6%), who are really concerned about the environment and are willing to pay more for green product
2. True blue green (9%), who are really concerned about the environment and are willing to pay more for green product
3. The Spouts (31%) who believe in environmental problems in theory but perceive green product as expensive
4. The Grousers (19%), who do not have knowledge about the environment but believe that green products are expensive

5. The Basic Browns (33%), who are focus on daily needs and not concerned on environmental and social issues.

The levels of greenness based on the five groups are high greenness (comprising of greenback green and true blue green), medium greenness (the spouts), and low greenness (covering the grousers and basic browns).

Green targeting

The next step following segmentation is to evaluate the various segments and decide how many and which segments the company can serve best. In evaluating the segments, a company must look at three factors: segment size and growth, segment structural attractiveness, and company objectives and resources (Kotler & Armstrong, 2014). What size and growth a company want to select is a relative matter. It means that a big size and fast growing segment may not always be the attractive segment. If it is too competitive for the company to address it due to its limited skills and resources, then the segment may not suitable for the company. It may be better for the company to address smaller and slower grow one but is potentially more profitable.

Following the evaluation, company must decide which and how many segment it will target. A company may target one or several target markets. A target market is a set of buyers sharing common needs or characteristics that the company decides to serve (Kotler & Armstrong, 2014). A target market refers to a subgroup of the total market selected as the focal point for the marketing mix (O'Guinn, 2006). It is essential for the company to select some subset of the market as the basis for a marketing campaign after the initial analysis of market segments.

According to Dahlstrom (2011) one of the primary considerations for selecting a target market is the company's ability to satisfy the needs of the segment. If the company possesses the resources to satisfy the needs of the market segment, then it is logical for the company to consider this group as a potential target. A company can target narrowly or broadly. Narrow targeting means that company tailor products and marketing programs to the needs and wants of specific individuals and local customer segments, while in broad targeting a company targets several segments and designs separate offering to each.

The size of a market segment is the second consideration in the selection of a target market. Selecting the size of a market segment is important so to know which product or service are more likely the most profitable or effective and will be selected for a special attention in which product or service will be the best to offer to all customers in a market and which is a product is specifically designed for each individual customer. The size of the group must be assessed relative to the amount of consumption within the group. Although there may be few users of engine emissions technology, the massive level of consumption warrants many companies to pursue this target market. It is not surprising that the growth potential in a market segment is also a consideration when selecting target markets (Dahlstrom, 2011).

The recurring research by Roper Starch indicates that the number of true blue consumers has increased dramatically over the past few years (Friedman: 2008). When selecting a target market with a different features and methods of market segment in contrasting to the company's goals and resources. If the companies will have a superior strategic direction with what they will used in planning or setting a goal which will logically fits with their target market it is not surprising that the market segment will have a growth potential or the companies will be able to successfully compete in the segment. In addition to the company's capabilities, market size, and growth potential, companies must also direct substantial attention to competition. As the number of competitors pursuing a market increases, the potential to serve the market becomes compromised. Large competitors may be able to dedicate sizeable resources to the market that preclude a smaller company from competing effectively (Welch: 2009). Instead of focusing on the company's capabilities, market size, and growth potential, companies also have a direct substantial attention to their competitions so that they will know who their competitors were and have knowledge on what the other companies are offerings. Having a direct substantial attention to competition will help in making the products, or services better and in making it stand out and enables to set to a reasonable prices or competitively and will help the company to respond to rival marketing campaigns easily. Knowing and using the knowledge of the other company will help in improving the business performance. Small companies, however, may be able to engage in niche marketing strategies whereby they serve a selected market better than their competition does (Halweil, 2002). Thus, engaging in niche marketing strategies whereby they serve a selected market better than their competition does may be a better solution than focusing only on what the other company's weakness and every business faces competition. In order to successfully implement a marketing strategy a business must employ market research techniques to find patterns of similarity among customer preferences in a market. Small companies can also participate in niche marketing strategies because they have an essential factor that can make them compete in market place. They also have less competition therefore, they can me more profitable. They can even do better than their competitors because they have the edge when it comes to their product. Small companies will only be focusing on a specific product that's why they can market better than their competition does.

Smart targeting can help company to focus to the targeted consumers more effectively according to the resources in which the company has competitive advantages on it. On the other side, it can also benefit consumers because company can tailor its offering to their needs.

However, targeting marketing can create controversy and concern especially when it relates to green consumers who demands environmentally friendly products.

One issue related to consumers of environmentally friendly products is higher price of green products compared to that of conventional products. This has been made green companies struggle to sustain their limited markets. Not all consumers are willing to pay higher price for green products. Thus, identifying which consumers who are willing to pay more for environmentally friendly products is an important challenge for marketers (Laroche, Bergeron, & Barbaro-Forleo, 2001). Better understanding on causes people want to pay more for green products means that marketers can develop better strategies specifically targeted these consumers.

In their study, Laroche, Bergeron, and Barbaro-Forleo (2001) outline five categories of factors that influence consumers' willingness to pay more for green products. They are demographic, knowledge, values, attitudes, and behavior. Factors comprising each category are presented in table 4.2.

Table 4.2. Factors Influencing Willingness to Pay More for green Products

Demographics

- Age
- Gender
- Income
- Level of education
- Employment status
- Home ownership
- Marital status
- Family size

Knowledge

- Ecoliteracy

Values

- Individualism
- Collectivism
- Security
- Fun/Enjoyment

Attitudes

- Importance of being environmentally friendly
- Inconvenience of being environmentally friendly
- Severity of environmental problems
- Level of responsibility of corporations

Behavior

- Considering environmental issues when making a purchase
- Recycling
- Buying environmentally friendly products

However studies used the factors have indicated inconclusive results. For example, some find that middle aged women with high level of education (finished high school) and above average socioeconomic status are identified as those having willing to pay more for green products. Others indicate men are more willing to pay more for control air pollution. Another example is contradiction in term of income and level of education. Consumers with medium or high income are more likely to act in environmentally manner, but other studies result in less educated and lower income people who are more concern to the environment. Such condition indicate that since the criteria do not give consistent result, emphasizing on criteria of environmental concerns may not assure the result. Combining several criteria may be a better alternative.

Green positioning

Once company has decided which segments it will enter, it must decide which positions it wants to take in those segments. Each company must differentiate its offer by building a unique bundle that appeal to a substantial group within the segment (Kotler, Armstrong, Brown, & Adam, 1998). Companies can position their products on several attributes: product benefits, usage occasion, against competitor, and product classes. Company may use a combination of several attributes for positioning.

Positioning in green marketing can adopt strategy from the conventional marketing to gain competitive advantage. Positioning in conventional marketing consists of three steps: identifying a set of possible competitive advantages upon which to build a position, selecting the right competitive advantages, and effectively communicating and delivering the chosen position to the market (Kotler, Armstrong, Brown, & Adam, 1998). The key to win and keep consumers is to understand their needs and buying processes better than the competitors. If a company can position itself as providing superior value to selected target market, it gains competitive advantage.

The concept of positioning is an iterative process, consisting of deliberate and proactive actions aimed at the definition of distinct consumer perceptions (Hartman, Ibanez, & Sainz, 2005). Brand positioning is the way to identify the position of a brand in the mind of customers. part of brand identity and value proposition and will be actively communicated to the target market. In terms of green marketing strategy, green positioning is an active communication to the customers which is based on environmentaly sound attributes. Green positioning is thus an essential factor in the success of green branding performance. Eco-label has been used for green positioning.

Several studies addressing green positioning have resulted in functional and emotional benefits as the attributes for positioining of certain brands (Bech-Larsen, 1996). Delivering information about environmental sound attribute is described as functional attribute positioning, meanwhile emotional attribute positioning based on altruistic way, conscious consumer personal experience and emotional affinity towards nature (Hartman, Ibanez, & Sainz, 2005).

To understand more about differences between segmentation, targeting, and positioning in conventional marketing and green marketing, an example is presented in table 4.3 below.

Table 4.3. Differences of STP between Green and Conventional Marketing

The Marketing Strategy	Demand Size	Segmentation Targeting	Positioning
Green marketing	Market size	The greener consumer	Eco-label product
Conventional marketing	Market needs and wants	All consumers	Place, Price, Promotion

Segmentation, targeting, and positioning of the selected companies

This section elaborates market segmentation, targeting, and positioning taken by the selected companies. Regarding to segmentation, criteria used by the companies such as demographics, psychographic, behavior, benefits, or others, if any, are outlined. Then, group of consumers each selected company want to focus on are presented. The elaboration will particularly be emphasized on whether the companies apply green segmentation and select green target market. Following this, positioning the companies want to take for their market are identified.

SM

SM applies combination of criteria for segmenting its markets. It combines demographic and benefits criteria. There are products are specifically for kids, women, men, and any. For example, it produces a healthy drink for specifically kids, a drink for women to deal with or prevent stomachaches during the periodical symptom, a supplement drink containing ginseng and royal jelly that is intended for particularly men, and a drink intended to reduce or prevent body from cold that is differentiated for adults and kids. Each is marketed using different brand.

In the beginning, the company targeted people who are highly depended on traditional herbal medicine. They are usually old generation people. Nevertheless, it expands its focus on segments comprise of active people who have concern on healthy and practical things. The company targets people with particular life style (psychographic) in particularly high educated people and young professionals.

Geographically, the company targeted those people in the home country and abroad. Their products have reached markets in some other countries in all the continents ranging from Asia, Europe, America, and Africa.

As SM does not specifically target green consumers, it also does not positioned its products as green products. However, some products are communicated as herbal drinks which implicitly mean that that the products are produced using natural ingredients. Even though one criteria for a green product is natural ingredients, it however does not explicitly claim its products as green product. SM emphasizes itself as the producer of modern herbal medicines which combining traditional herbal drink and pharmaceutical-based process so that the product can be considered as medicine. It does not particularly position the company as green. Table 4.4 summaries segmentation, target, and positioning of the company.

<u>CV</u>

CV divides its markets into two groups: end consumers (B2C) and industrial consumers (B2B). In B2C market, the market is grouped into two. First, professional spa therapists and hair dressers who use the products for their clients. Secondly, individual consumers who use the products for their personal use. In B2B market, the company sells the unfinished products to other companies that use them as their raw materials for producing natural herbal products. CV also receives specific orders from other companies that want to sell them under their own private label.

Table 4.4. Segments, Target, and Positioning of SM

Item	Description
Segmentation	• Demographic: all ages, all genders • Geographic: Indonesia (national) and foreign countries (international) • Benefits: healthy drinks, supplements drinks • Psychographic: high educated people, young professionals
Targeting	• People depending on traditional herbal medicines • People having concern on healthy and practical things
Positioning	Modern herbal medicines producer

Demographically, for the national market the company addresses middle lower consumers to avoid competition with larger and stronger cosmetics companies in the country and treats these consumers as a niche market that has not yet been served well by the existing cosmetics companies. Nevertheless, the director-owner of SM claims that the competitors in this market are traditional herbal drink vendors instead of large cosmetics companies.

Geographically, CV also segments the markets into national and international markets. Nationally, its products have covered nearly all regions in Indonesia from west to east. Internationally, its markets have reached some other countries such as Singapore, Malaysia, Hong Kong, China, Philippine, Egypt, Bahrain, the USA, French, Switzerland, the Netherland, Italy and Germany. The products marketed to other countries must comply with particular clinical standards. This has been the barrier for CV to expand the markets further because the costs for compliance is quite high.

CV positions its products as natural herbal products and it communicates the natural aspect in the promotion programs soundly. The director-owner stated this, *"In the promotion, we surely emphasize the natural aspect. That's our strategic tool to be different from other cosmetics. ...."* Table 4.5 presents the summary of segmentation, targeting, and positioning of the company.

Table 4.5. Segments, Target, and Positioning of CV

Item	Description
Segmentation	• Markets: B2C and B2B • Demographic: lower middle income • Geographic: Indonesia (national) and foreign countries (international)
Targeting	• B2C: professional spa therapists, hair dressers, individual consumers in middle lower • B2B: companies producing natural herbal products, reseller companies with private label
Positioning	Natural herbal products

<u>BS</u>

BS segments its markets based on some criteria: demographic, geographic, and benefits. Demographically, the company addresses people from any ages and genders. Geographically, BS's consumers are grouped into local people and foreigners coming from some countries. The company also groups the market based on benefits sought from the product, i.e. consumers who prefer to buy natural coloring batik and synthetic batik.

For targeting, the company addresses particular segments for particular product. Local people are predominantly targeted for the batik, while foreigners are targeted particularly for batik class. Furthermore, based on the types of the product, local people were most likely to buy synthetic batik and foreigners prefer natural coloring batik.

More specifically, BS 16 targets adults. The manager mentioned that people coming to buy their products are mostly adults. Even though there is no specific reason for addressing this specific group of consumer, it seems that an adult can considerably make decision for themselves regarding to what batik they want to buy.

BS wants to position itself as the one focusing on natural coloring batik. Natural coloring has been the primary concern of the company since the inception. About this the manager said, *"Since the beginning, even before the establishment [of the company], that is when we were learning making batik with our neighbors we really concerned on natural coloring. ..."* Nevertheless, the company kept producing synthetic batik and thus has been offering two types of batik. Regarding to this, the manager explained, *"Yes, there were more customers of the synthetic. However, those* *of the natural coloring batik have already been a lot. More are aware. As I said before, it's fifty-fifty, is heading to fifty-fifty. It's likely forty-sixty."* To support this, the company is likely to rely on eco label and are in the process of getting it. Table 4.6 presents the segmentation, targeting, and positioning of BS.

Table 4.6. Segments, Target, and Positioning of BS

Item	Description
Segmentation	• Demographic: all ages and gender • Geographic: locals and foreigners • Benefits: natural and synthetic color
Targeting	• Local adults for synthetic batik • Foreign adults for natural color batik and batik class
Positioning	Natural coloring batik maker

HP

As it is a center for retreats, farmers' markets, educational events, and workshops, HP's market is individuals who are looking for an alternative treatment for their condition with natural integrative medicine and holistic therapies and who want to have a healthy lifestyle. In the other words, its markets are segmented according to product benefit and psychographic.

Accordingly, HP targets people who seek alternative remedies to their chronic illnesses and who seek a healthy lifestyle. It is reflected in the company's name which carry meaning of grace, a gift, now, or no worrying of the future. By having a healthy life, individuals should not be worry about their future.

Table 4.7. Segments, Target, and Positioning of HP

Item	Description
Segmentation	Product benefit: persons with chronic health condition Psychographic: health-conscious individuals
Targeting	Health-conscious individuals
Positioning	Jump-start to a healthy lifestyle and offer health education through holistic healing

HP positions itself as a center providing a healthy lifestyle. It offers products including food programs that are produced using organic. Even the activities in the retreat programs are on nature and about nature. So, the company can be considered as green company since it also conducts green activities.

GT

GT creates different product types for each segment and each segment addresses different needs. For this, GT conducts market research using primary data and secondary data. The first is gathered using customer survey aimed at capturing the needs of a particular type of consumer. The second is collected from the data released each year by Euromonitor with the aim is to ensure that they can come up with a trendy product specific for each type of consumers.

The company looks into demographic characteristics such as age, gender, occupation, buying power, and income. Geographically it segments the consumers based on residential location.

Other basis it uses for segmentation of the markets are psychographic and behavioral. In the first basis, the company goes through consumers' lifestyle, i.e. how are their habits and how they spend time for recreational activities. Behaviorally, the company tries to understand why they shop and where and how do they want to shop for the products as well as their expectation on products and services.

The company targets a particular type of consumer who considerably can benefit from the product every time it releases and launches a specific product. Such targeting approach enables the company to trim down problems and short-list needs to be addressed and thus gives the consumers full satisfaction for consuming a certain product. GT particularly targets at least 21 million females aging from 20-49 (based on 2015 PSA Census Population and Housing). Majority comes from ages 23-30 and 30-40.

The target consumers are dependent on the product attributes (characteristics, benefits) that specifically address consumers' need. For both skin care and make up category, product attributes that specifically relates to the addressed consumers are its efficacy and product delivery, product play time, product base and texture, scent used, active ingredients may it be natural or organic and product price, product trend and lastly convenience of product packaging.

For its positioning, the company aims to give their consumers the perception that GT creates affordable and premium cosmetic products without compromising its quality and efficacy. It also wants to proof that Philippine can make cosmetics that can really compete globally with international brands.

Table 4.8. Segments, Target, and Positioning of GT

Item	Description
Segmentation	Demographic: age, gender, Geographic: residential location Psychographic: based on product attributes Behavioral: based on product attributes
Targeting	Female aged 20-49
Positioning	Advocate of safe, quality natural products per customers satisfaction & public safety

<u>NL</u>

The company creates product for specific type of consumers like Architects, Engineers, Designers and those with involvement in the decision-making in their projects. The company also addresses institutional buyers such as chain of retail stores, resorts, hotels, restaurants, condominiums, government offices and the like.

NL addresses the particular types of consumer through consumer's legitimacy, volume of orders and good business relationships. Basically, the company chose these types of consumer who have the same business mindset and respect to the company's advocacy on green products and processes. The size depends on the type of business and consumer market. It may be small, medium and large enterprises.

The attributes of the products that specifically relates to the addressed consumers is the story behind the products and more than just the designs and functions of it. Knowing that the products are created from sustainable materials, they and manufacturing processes are patented. These make them cannot be copied by any manufacturers or suppliers.

The company wants to create particular perceptions on the product in the minds of the consumers. NL wants customers perceive that the products are patented and innovated from sustainable sources and manufacturing processes.

Table 4.9. Segments, Target, and Positioning of NL

Item	Description
Segmentation	Institutional buyers
Targeting	Designers and Architects
Positioning	Continue to pursue the green revolution from generation to generation

Are they green addressing green segments?

It can be seen that the selected companies use non-single base for segmenting the markets. They combine more than one base in segmenting the markets. It is apparent that demographic still gains its popularity that is used by more companies. Demographically, the selected companies segment their markets based on age and gender. Besides demographic, the other bases for segmentation in conventional marketing are also adopted: geographic, behavioral, and product benefits.

No companies use green segmentation or address non green segments comprising non green consumers. They are regular consumers who need or want the product regardless the environmental issues concerning the product. In other words, most of the consumers are those who do not show specific concern on the environment. In case of NL for example, it does not clear if the consumers who order the product are concern with the environmental issue concerning the product even though the management wants to share their green initiative in producing the product. Consumers seemingly put their attention more on the product uniqueness resulting from the materials used. It seems that the selected companies do not address particularly green consumers since they do not or very limitedly expose their green activities or green aspects of the product.

Based on the understanding of green positioning in which it relates to providing information about environmental attributes (Bech-Larsen, 1996), it can be seen that the selected companies do not specifically or explicitly position either product or company as green. The exception is NL who positions the company as a green pursuer. The rest companies emphasize more on natural materials or ingredients and natural process without explicitly mention it as green. For example, BS communicates its natural process in coloring batik, while SM, CV, HP, and GT communicate their natural ingredients in their products without intentionally and explicitly position them as green product. The reason for SM to do such action is that it is considerably safer for company regarding to their claim. The management of SM pointed out that it is difficult to maintain the status as green company and thus it is better to not position as such or otherwise the company can be labelled as green washer. SM chooses to position itself as modern traditional herbal drinks using pharmaceutical standards processing. For CV, it is a strategic consideration for delivering information about its natural ingredients since it can use this as a marketing tool compete with other cosmetic porducts commonly produced using chemical ingredients.

In general, it can be stated that the selected companies have not followed segmentation, targeting, and positioning in green marketing as suggested in the text books. They still conduct segmentation, targeting, and positioning according to the conventional marketing. They however emphasize on the product advantages for the positioning. The advantages may relate to green attributes comprising natural ingredients and natural processing.

CHAPTER 5
GREEN PRODUCT

Green product and environmental concern

Green product is defined as an environmentally friendly product. Even though its definition is relatively simple, but in fact it is not easy to define the term of 'environmentally friendly.' Interpretations on what is meant by environmentally friendliness to the environment have been varied. Saha and Darnton (2005) even wrote that the use of green in products has created controversy. It means that an environmentally friendly product in some aspects may not safe in the long term. Nevertheless, a basic thing that must be kept in mind in greening a product is that it should cover the whole life-cycle from design, materials procurement, manufacture, storage, distribution, usage, and even post usage activities (Kumar & Ghodeswar, 2015).

One description mentions that an environmentally friendly product should be designed to lessen the consumption of natural resources required to minimizing the adversely environmental impacts during the whole life-cycles of the product (Solaiman, Osman, & Halim, 2015). Thus, green product related decisions and actions should have the purpose to protect or benefit the natural environment by conserving energy and/or resources and reducing pollution and waste (Danjelico and Pujari, 2010; Ottman et al., 2006). Similar to this, an environmentally friendly product must not only decrease consumption of resources but also increase survival of scarce resources and to minimize pollution (Sudhalakshmi & Chinnadorai, 2014). In other words, designing of green product should stand on ecological purposes aiming at environmental sustainability and not only focus on profit.

Broad meaning of environmentally friendly can be seen from characteristics of a green product. A product can be considered as green product if it has the following non exhausting characteristics (Rahmansyah, 2013):

- does not contain toxic

- uses recycled or recyclable materials
- does not use materials that can harm the environment
- does not involve animal in product testing
- does not harm environment during consumption
- does not use a lot of energy and other resources in the processing, usage, and selling
- does not produce rubbish resulting from the package that is only functioned in short time
- is durable
- uses simple packaging and provides product refill

Figure 5.1. Characteristics of Green Product

The CEO of The Michael Porters Group, Simon Williams, suggests four areas need to be consider for identifying a product as being green. Figure 5.2 present the four areas which comprise of (1) content, (2) structure and packaging, (3) message, and (4) positioning (Solaiman, Osman, & Halim, 2015).

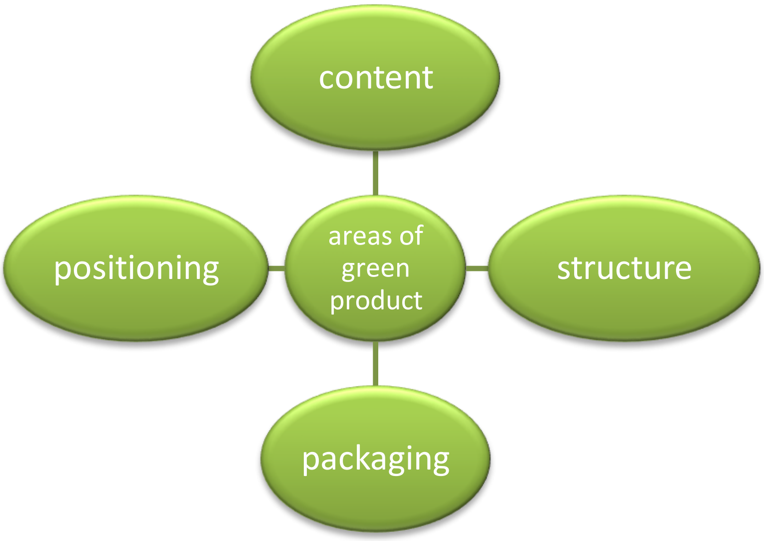

Figure 5.2. Areas for Identifying Green Product

Green products promote the "3 R" namely "reduce", "reuse" and "recycle" to lessen the usage of raw materials. It is the products that are energy efficient, preferably environmentally friendly, eco-friendly, and earth friendly, biodegradable and compostable. Green products are harmless to the health of humans and safe for the environment. It uses natural ingredients to prevent any danger or negative effects when used by humans. In manufacturing green products, it helps to reduce waste, air pollution, water pollution, climate change, ozone depletion and conserve energy and resources for us to have a better place to live. When it comes to sustainable lifestyle and money saving, green products are highly recommended because it is cost less, timeless and effortless in production. According to Bauman, Boons, and Bragd (2002), the term "green product" is broadly used to describe products that integrate environmental requirements within the initial design process, including minimizing raw materials and energy consumption, waste generation, health and safety risk, and ecological degradation.

One of the benefits and advantages of using green products is healthier life ahead. Individuals who use the green products will have huge possibility of living longer and enjoy life because of the fact that it is significantly safer to the health of the users. It also reduces the negative effects to the environment to help the well-being of Mother Earth. This will lead to a more sustainable world. According to Reddy and Painuly (2004), global warming has prompted much (subsidized) investment in this key area, under the assumption that technology takes time to develop and that eventually costs can be brought down through innovation and learning curve effect. Through the condition of the environment, many people wanted to have a greener life and some businesses planned and organized a firm that cares the state of the environment. According to Reinhardt (2008), the past few decades have seen a growing interest in researching and developing green products. Improvements made to goods and services so as to reduce negative environmental impacts may result in higher development and production cost, and in higher product differentiation, increased margins, and larger market shares for those firms which successfully move to commercialized green products.

As more people start living a green life more companies were cognizant of the environmental regulations and ecological concerns of a product, when the demand of the green products became increasingly higher. With this fast growing popularity of green products worldwide, many manufacturers want to produce products that are environmentally friendly, eco-friendly, earth friendly, green and sustainable. It is necessary that the raw materials or ingredients being used to produce the product are non-toxic and absolutely healthy. If the demand of green products in production still increases more production means more availability of the products. These kinds of products ameliorate the durability, effectiveness and efficiency of anything or object.
The goals of every single company selling their own products were to ensure the best for their customers and to know the effects of these products to our environment. Many companies drive for developments in the field of green energies, recycling and other technologies, as well as a market for eco-friendly products and services. It has been found out that almost 87% of human beings were considering on green products specifically on cleaning products for their environment friendly development, according to a recent statistics.

Green product and consumer’s satisfaction

Product design constitutes an active interface between demand (consumers) and supply (manufactures). The product itself has to be made in such a way that it satisfies consumers’ and manufacturer’s needs. Green product development must be associated with energy saving, reduced packaging, space and money. Thus, before developing green products and commercializing them, firms are urged not only to take profit but also environmental sustainability consideration.

Such consideration may involve both strategic and tactical approaches (Menon, Bharadwaj, Adidam, & Edison, 1999). Strategically, companies may choose to use green product design techniques (Bauman, Boons, & Bragd, 2002), which often result in modifications to manufacturing processes (Fuller, 1999). Here, the focus is on developing new environmentally friendly products from inception (e.g., biodegradable, recyclable) rather than adopting “end-of-pipe” solutions for existing products (Pujari, 2006). For example, SC Johnson recently altered its manufacturing process and reformulated all its products to eliminate the use of polybutylene terephthalate (Esty & Winston, 2006). Similarly, Nike introduced the Air Jordan XX3 shoes, which are made largely from recycled materials and use less glue in their construction (Ottman, 2011). Tactically, companies face choices about how they might package and label products in more environmentally friendly ways. For example, in France, Hewlett-Packard reduced the use of disposable packaging for its laptops by 97% by selling them in a ready-made carrying case (Belz & Peattie, 2009). Also, Nestlé reduced the size of the paper labels on its bottled water brands by 30% (Ottman, 2011).

The essence of marketing is that a product must be able to satisfy consumers’ needs. However, many green products are viewed as being fail to meet customers’ expectations. Gaps exist between customers’ expectations and their perceptions of green products (Solaiman, Osman, & Halim, 2015; Sudhalakshmi & Chinnadorai, 2014). This makes the market shares of many green products cannot increase significantly (Solaiman, Osman, Halim, 2015; Sudhalakshmi & Chinnadorai, 2014). Moreover, majority companies producing green product are identified as not successful in their business (Chahal, Dangwal, & Raina, 2014). It is a challenge for company who has concern on the environmental sustainability to sustain their business.

Green packaging

Packaging is a major source of environmental waste. Since green marketing is aimed to significantly reduce excessive waste, company should thus have concern on reducing over excessive packaging and uses selective materials for packaging. Such concern is called as green packaging and more companies have focus on it. Many companies use recycled materials for their packaging due to consumer and consumer group pressure and government regulation. The aim is to significantly reduce excessive waste.

Green packaging or sustainable packaging refers to packaging that produces less waste and uses degradable materials (Gonzales, Van Huynh, & Yousef, 2009) . Thus, green packaging results in low negative impacts to the environment and uses minimum energy during the packaging process (Kamath, 2016). Furthermore green packaging must also benefit consumers (Orzan, Cruceru, Balaceanu, & Chivu, 2018). It must be safe and healthy for individuals and society during its life cycle, is efficient and uses less cost. It must also be acquired, produced, transported, and recycled into renewable energy source and maximize the usage of renewable or recyclable materials. Green packaging must also use clean production technology and best practice, designed to optimize materials and energy used, and can be recovered and reused effectively in some production cycles.

Eco-labeling

Considering that it is probably difficult to identify a green product, a hint may help. As most buyer decisions are influenced by the labelling, eco-label is considerably an important hint for this purpose. Eco-label is a labeling that can certify a product as being environmentally friendly. It is a tool to indicate and communcate the environmental perfomance of a product (Gocer & Oflac, 2017) aiming to influence consumer decision-making regarding to environmentally friendly products. Eco-label also means providing transparency and enhancing trust in environmetal identity of products. Thus, eco-label states all that makes the product green compliant (Yazdanifard & Mercy, 2011) or environmentally friendly (Gurau & Ranchhod, 2005).

Eco-labelling is a form of environmental labelling and it is only one form (D'Souza, 2004). Other forms are labels mandated by the government and self-declarations. The government mandated label are for example the energy star rating on household appliances and environmental hazard warnings on products containing toxic substances. Self-declarations are claims by a manufacturer about recyclability, biogradability, non-use particular chemicals, waste reduction, and so on.

Eco-label acts as a certification awarded to a manufacturer that deems product as ecologically safe. However, it must be considered whether this labeling should be done by a private, independent organization or a government entity and whether there should be a single label for the whole country or several labeling organizations (Solaiman, Osman, & Halim, 2015). So far, it is recognized that eco-label helps consumers to identify green product and thus may be a certification a company should take.

Products of the selected companies

Based on the green product concept as elaborated above, products offered by the selected companies are discussed below to see if the products are already green or not and if it so, how green they are.

<u>SM</u>

SM produces 273 kinds of herbal drinks in the form of powder, liquid, or tablet intended to all ages (from kids to adults) and genders (man and woman). Some of them are popular and become the leader in the market. All the products are natural since the materials used are 100 percent natural herbs and no preservative added. There are approximately 130 herbs used in the production and must meet standardized qualification and quality in order to produce high quality of products in which the company commits on. For this, SM has been awarded certifications by the government for good production of traditional medicines and good production of medicines. Based on these conditions, the management claims that their products are green.

The management has another reason for their claim. The company cooperates with farmers who supply herbs for their products to replant the herbs because the herbs are taken from the nature and thus need to be replanted otherwise they will diminish in the long-term. In other words, the company consider to sustain the environment.

However, the packaging has not yet green. SM still uses plastic-based package for the products. According to them, plastic-based package can protect the products better and make the product last longer. Another reason for the company to keep using plastic-based package is that there have been no alternatives for plastic yet. Paper-based package as the company used in the first few years of the business cannot function as good as plastic does and this was the reason for the company to change the package into plastic-based. The management stated that they will gladly to change the plastic package if the alternative is available such as recyclable plastic that is being under the development by its package supplier.

CV

CV produces herbal products comprising of traditional herbal cosmetic (spa products, spa accessories), herbal drinks, instant drinks, and food supplement. It also sell raw material of herbs for other businesses. The products are developed based on Javanese and Balinese traditional spa.

The director-owner claims the products are natural that use solely natural ingredients and no chemical added. The company emphasizes the term herbal to refer to natural ingredients taken from the nature, and thus the products can be considered as green.

Nevertheless, CV claims green for their products is not only based on the ingredient but also on the process. The company buys herbs from the partner farmers who do not use fertilizer in planting herbs and thus the herbs are really green. The farmers harvest only at the considerably best time as suggested by the company in order to fulfil the standard of quality set by the company. The company also does not produce plastic wastes or other dangerous wastes. The wastes are only water and soil. The company stresses that it is really green.

The company is granted a certificate from Hazard Analysis Critical Control Point (HACCP), a food safety management system that promotes continuous prevention. This certificate indicates that the company’s products are safe.

<u>BS</u>

BS produces batik, cloth made using waxing process for dyeing. Unique pattern on the cloth is made either using stamped technique (called printing batik) or manually (called handwriting batik). The company produces not only fabric but also any batik-based products such as shirts, dresses, scarves, bags, necklaces, shoes, etc.

BS creates specific patterns for its batik based on the city artifacts and icons. Hundreds of patterns have been produced by the company and 219 patterns are already patented. The patterns can be grouped into five main categories: city icons, historical-related icons, culinary icons, local flora and fauna icons, and contemporary classic. It has been known for these unique patterns which become the company’s identity. However, the company also produces order-based patterns. Because batik has unique process, the company also offers class for those who wants to learn making batik and emphasizes on natural dyeing process.

Natural dyeing is the choice of the company since the inception as the differentiation it can make among many companies in the business. Natural dyeing uses plants for color making materials. For example, *indigo* (indofera) for blue, *secang* (*caesalpinia sappan*) for red. Other colors are produced from combination of *jambal* (*pelthophorum ferruginum*), *tegeran* wood (*cudraina javanensis*), skin of *soga tingi* tree *(ceriops candolleana arn)*, and etc. Commonly, the dyeing process uses chemical color and this produces liquid wastes that may contain dangerous substance when disposed into the river. Natural dyeing reduces significantly or even eliminates such harmful wastes.

Even though natural dyeing has been the concern of the company since the inception, BS also produces regular dyeing batik that uses chemical color for dyeing. Demand is the reason for this production. The company keeps producing natural dyeing batik to educate the community whose green awareness is still relatively low.

The manager claims that their natural dyeing batik is green product and keeps working to comply the regulation to be considered as being green. One effort is to manage its liquid waste by installing liquid waste management system with the help of a university. Moreover, the company also works on getting eco-label for their products.

<u>HP</u>

HP offers what is called holistic healing using integrative medicine and nutrition-based detoxification. The company also provides classes for self-development and awareness with the focus on local ecological training, organic farming, and organic food harvest techniques. It offers workshops on for example organic food preparation, organic juicing program, yoga, meditation and stress reduction.

The products and services are all made of organic fresh vegetables and fruits since they believe that it is humans' right to have clean air, soil, and water for safety, health and sustainability. Food are wrapped in leaves and not plastic and the juices are kept in recyclable jars.

<u>GT</u>

GT started the business by producing hand crafted herbal soaps and now has created many more cosmetics. The company makes sure that the ingredients and processes are environmental friendly and will not do harm to the environment and human consumers. GT also makes sure that the company is compliant to all legal requirements specially pertaining to the environment as part of the company's corporate responsibility. For this, the company make sure that the manufacturing process will not cause any harm and as much as possible will produce zero-waste. In case it is inevitable to produce no wastes, the company ensures that there will be proper procedure to handle the wastes. For such efforts, GT has received several awards and certificates of standards compliance, including a Good Manufacturing Practice Certification, an ISO Certification, and Halal Certification.

GT decides carefully packaging to be used so the packages are not only convenience and efficient for product delivery, they should also not cause environmental pollution. The company uses recyclable or biodegradable product packaging as much as possible.

NL

NL manufactures tailor-made products for specific type of direct consumers (such as architects, engineers, designers, and decision-maker in a projects) and institutional buyers (such as chain of retail stores, resorts, hotels, restaurants, condominiums, government offices and the like). The company select the consumers who have the same mindset and have respect to the company's advocacy on green products and processes. The company emphasizes not only on product designs and functions but also on understanding that the products are innovated from sustainable sources and manufacturing processes and are patented. Considering these, the products are green both in the sustainable raw materials used and the manufacturing processes behind the creation of these products.

The company has integrated some company policies in reinforcing the greening initiatives. In purchasing policy, NL ensures that materials should be locally sourced (within a 50-kilometer radius) and recyclable. In packaging, the company utilizes as little packaging material as possible to avoid waste and uses recycled content product (RCP). The entire package has been patented. The company also accommodates special instructions to comply with buyer's requirements and tries to minimize shipping costs when the product reaches the buyers.

How green the selected companies' products

Referring to four areas for identifying a green product (content, structure and packaging, message, and positioning), it is apparently that all the selected companies produce products that are green in terms of content since they comply with the criteria of green product: use natural materials which contain no toxic, no chemical additive ingredients which will thus not harm the environment, and generate limited and not dangerous wastes or even zero wastes, produce less pollutants resulting from green manufacturing process, use limited packaging and recyclable and biodegradable packaging. Some of the selected companies have certified greenness of their products or processes using eco-label or ISO.

In the second area, it is seen that packaging is still the problem for some companies especially those in Indonesia. They still use plastic-based packages since they cannot find alternative materials other than plastic-based. The degradable plastic that is available limitedly is still expensive for them to use it as the alternative.

The third area will be discussed in the chapter about green promotion since the message relates to information delivered to consumers through promotion activities regarding to their greenness. Meanwhile, the last area (positioning) has been discussed in the previous chapter. To recall it, the selected companies have not positioned their products or companies as green. The exception for this is NL that is consistently communicate its greenness and has been titled as one of the green-ecoprenueurs in the Phillipines.

CHAPTER 6
GREEN PRICING

Green pricing

Green pricing refers to pricing practices that account for both the economic and environmental costs of production and marketing, while providing value for customers and a fair profit for business (Martin & Schouten, 2012). Green pricing is considered as one of the most difficult aspects of green marketing (Sudhalakshmi & Chinnadorai, 2014) since it is very often not easy to determine environment-related costs. For example, how much cost for the river in which the company disposes the liquid waste into it may not easily determined. Also, it is uneasy to determine how much cost for taking water from the water spring on the mountain for commercializing it.

Green pricing should also reflect the added costs for modifying the production process, packaging, and the disposal process in relation to compliance to be green. These are costs for the companies that invest on new machines for being able to process the products with less energy. Some of them may consider this as long-term investment and do not treat it as cost. On the opposite, some others possibly calculate it as cost that must be charged to the product and such practice results in higher price of the product.

Green pricing can be based on the perception that consumers want to pay more for green products (Solaiman, Osman, & Halim, 2015). The company sets higher price for their green product will thus not have difficulty to sell it because the consumers think it is worthy to pay more for sustaining the environment. Such practice may only apply if the company serves green consumers.

Green pricing can be used for strategic or tactical actions. In strategic action, company may apply a technique called life-cycle costing which help to determine prices for products from a sustainability perspective (Menon, et al., 1999) Shrivastava, 1995). This technique incorporates product costs from research to disposal in setting the price. For example, the German utility E.ON (2011) allows customers to purchase green electricity at higher prices to reflect the costs of generating power sustainably.

Similarly, Seventh Generation sells its range of environmentally responsible household cleaners at significantly higher prices than regular alternatives to reflect its higher costs (Dahlstrom, 2011). Tactically, companies can use pricing actions, such as rebates for returning recyclable packaging (Menon et al. 1999) or charge higher prices for environmentally unfriendly products (Polonsky & Rosenberger, 2001) to induce green purchase behavior. For example, Coca-Cola introduced its Recycle Bank to reward U.S. customers for recycling its bottles (Goldschmidt 2011). In the U.K., retailer Marks & Spencer now charges customers for plastic carrier bags to minimize their use (Belz & Peattie, 2009).

Green price

Green price is price of a product by considering environment (Yazdanifard & Mercy, 2011). Price of green product has been typically higher than conventional product to reflect the environmental and social expenses added to the costs. Studies found that price is the major barrier for consumers to buy green products (Weisstein, Asgari, & Siew, 2014). In other words, it is a challenge to make green price reasonable and competitive (Sudhalakshmi & Chinnadorai, 2014) since setting higher price can potentially distract consumers to buy and reduce the competitiveness against the competitors.

According to Winit et al., (2014) consumers regard price as a factor that must be sacrificed in order to get the desired product. Mentally consumers have an acceptable price ranging from upper to lower price thresholds encompassing what they are willing to pay. Price below the lower threshold is perceived as bargain and suggestive of quality deficiencies. Price above the upper threshold induces resistance of the consumers to be willing to pay. Price between the ranges is the most desirable price and variations of price may not be noticed by consumers. Thus the price of green product has to be affordable for the customer to encourage purchase (Yazdanifard & Mercy, 2011).

Weisstein, Asgari, and Siew (2014) suggested to consider the consumers' degree of greenness in green pricing. This means that company should consider consumers' preference on green product over non-green product. Green consumers prefer green product over ones that are not green and they are willing to pay higher price. The greenner the consumers, the higher their willingness to pay higher price of green product. For non-green consumers, they need to be educated to realize that paying a little more for a green product is worthy and to make them willing to pay higher proce of a green product.

As more and more consumers are becoming green, demand for greening price may also increase. Thus, in the future, price is the indicator of socially and environmentally responsible business (Li & Tang, 2010) and to educate consumers to realize that paying a little more for a green product are thus worthy.

Do the selected companies apply green on their ricing?

Pricing strategy of each company will be discussed below to know if they consider the environment in their pricing of the product.

SM

The company sets price of the products predominantly based on production costs. Even though SM does not include costs of green practices it has been doing (such as costs for managing wastes) directly in calculating the price, they however indirectly includes them in setting price since they are recorded in miscellaneous costs. According to the manager, this case is similar to how the company treats advertisement costs. Business reason is behind this way in treating the costs. The management stated that they need to secure the business by not involving environmental issues in pricing otherwise competitors may use it to attack. For them, being awarded 'green' may be temporary only as long as they can maintain their compliances with 'green' and this is not easy. Thus, green pricing is possibly a misconduct if they are not green anymore. In other words, the company sets the price using cost-based method.

CV

Similar to SM, CV sets price of the products based on costs of production. Even though their products are green, the director-owner thinks it is not necessary to include 'green' in its price which can increase the price. Money is not the motivation but the business is. Other businesses which buy the company's products perceive that the price is expensive but it is because better quality of products in terms of higher hygiene and cleanliness in the production process.

BS

The BS manager said that the company follows the common way in setting the price, i.e. cost-based method. Price for the natural dyeing batik is generally more expensive than that of the conventional batik. However, the higher price of the natural dyeing batik does not reflect green attribute of the product but production process that is more difficult, needs more materials, and takes longer time. Natural dyeing batik needs 15 times for rinsing to produce the desired color compared to only three times for rinsing in producing conventional batik.

The company is confident with the price. Higher price is intended to educate consumers through explanation about the production process to make the consumers understand the reason for setting the price particularly. The most expensive one is hand-make cloth using the process called '*tenun*' and made of silk. Person having skill to make *tenun* has been rare recently and once the person is available, it takes long time to make a piece of cloth.

HP

HP uses fixed-pricing for their services in which the amount depending on the program or package. For example, the juicing program costs 20,000 pesos for 7 days or the workshops rate is 1,500 pesos. The company also practices breakeven pricing like their Bistro which is not making money. An incentive program is given for referrals and discounts for some packages. Also, the company decides that all sales of the cookbook which costs 3,500 pesos will go to the Farmer's Learning Centre as seed money.

GT

The company determines the price through the use of cost-based pricing with a standard mark-up cost of 20-25%. The pricing on the products are usually based on product cost, competition and customer. For the product cost, the company includes the product raw materials, transportation, advertising, wages, operating cost, equipment, legal requirements including environmental fees and so on. For the competition, the company considers the price of their competitors and uses it to bench mark. For the customer base, the company considers the price demand of their specific consumers once they have identified their buying habits, attitudes toward various prices and purchasing decisions.

The company also includes in the mark-up the cost of the extra measures for the environmental consideration. This is to ensure that costs of environmental protection are added in their product pricing so it can also sustain the company's environmental programs. Nevertheless, the company sees that the price is affordable, less than the competitors'.

NL

NL applies cost-based pricing for the products with a standardized mark-up for all the products then adding a premium price. The company does not put any charge for environment- related costs. Mark-up is standardized in all of their products. The price of the products is neither higher nor lower because of the company's belief that they do not have competitors.

Common practice on pricing

The selected companies apply common practice in their pricing of the products. They set the price using regular cost-based method by adding a margin on the basic production costs which do not contain environmental expenses. The exception is GT that includes environmental costs in its costs for pricing in order to ensure that the company can sustain its environmental programs.

The common problem arising on green pricing is higher price of the green product compared to that of the conventional product due to environmental and social costs. In the case of the selected companies, their higher price is not due to such costs but rather because of production process. In the case of BS, it needs more complex process to produce natural dyeing batik. In the case of CV, the higher price is because of more hygiene process in preparing the raw materials before they are processed further.

In summary, the selected companies do not apply green pricing since they do not consider the environment in setting the price (Yazdanifard & Mercy, 2011) but cost-based method that commonly used.

CHAPTER 7
GREEN PROMOTION

Promotion and communication

Currently, the main function of promotion is to communicate with consumers and it is now referred to as marketing communications which emphasis heavily on communication and not only on promoting the products or brands. It was more one way and it is now two ways of communication. As defined by Kotler and Keller (2016, p.580), marketing communications are "means by which companies try to inform, persuade, and remind consumers directly and indirectly about the products and brands they sell" (Kotler & Keller, 2016). There are variety of means a company can choose to communicate its products or brands. The one to be chosen should be the one that enables the company to generate effective communications.

Advertising is very often a central element of promotion but it is not the most important one. It depends on the promotion objectives. There are four possible objectives of promotion: (1) establish need for product or service category, (2) build brand awareness, (3) build brand attitude, and (4) influence purchase intention. To be effective, company needs to identify the target audience in each of their promotion programs, whether they are individuals, groups, or publics as well as users, deciders, or influencers. The target audience dictates what to say, how, when, where, and to whom.

These are the concepts of communication in conventional marketing. The question is whether it will be the same as those in green marketing? Li and Tang (2010) outline that there is not much difference between greener communication and the other forms of communication. Both have the same approach and basis disciplines. Below we will discuss communication in the context of green marketing.

Advertising and green advertising

Most buyers are influenced by advertising in their purchase decisions. This indicates that advertising is important factor to persuade consumers to buy the product. Companies selling green product also need to advertise their products and attract more people to buy it. Should company advertise its green product differently from that of non-green product? In other words, should company apply green advertising to promote its green product?

In green marketing, advertising can be used to inform the company's commitment to environment. In this case, the company is considered applying green advertisement. Here, the company is likely to portray an image of environmental friendliness that may influence their customer purchase decisions.

The aims of green advertising are also similar to those of conventional adverstising. Basically conventional advertising have aims abbreviated as AIDA (awareness, interest, desire, and action). In the cognitive stage, an advertising is to create awareness that the product exists. Then, in the affective stage, it addresses to create interest of people toward the product so that people want to find further information about the product. Still at the same stage, the company can use its advertising to develop desire of people to buy the product and finally in the behavior stage, it can persuade people to take action by really buying the product. Based on the objective, advertising can be divided into four:

a. Informative advertising, aiming to create brand awareness and knowledge of new and existing products.
b. Persuasive advertising, aiming to create preference and purchase of a product or service.
c. Reminder advertising, aiming to stimulatr repeat buying of products and services
d. Reinfocement advertising, aiming to convince current buyers that they have made the right choice.

Similar objectives are existed also in green advertising. The aims of green advertising are as follows: (Li & Tang, 2010)

a. to inform the target consumers about the company and product so that they become aware of a new green product, know how it works, and what its environmental and other advantages are
b. to persuade consumers to switch to a green brand, to change their preconceptions about a product
c. to remind customers if they need the product and emphasize where and how it can be purchased.

Green advertising can be classified into three types: advertising that show the relation between the product/service and the environment; those that promulgate green life style by highlighting a product/service; and those that depict environmental responsibility of the corporation (Sudhalakshmi & Chinnadorai, 2014).

Popularity of advertising among other means of communication is because it is a cost-effective way to disseminate messages regardless the objective, whether to build brand awareness or to educate people.

Green promotion

Green promotion is activity to promote product through educating and changing consumers' view on product that is environmentally friendly (Yazdanifard & Mercy, 2011). This reflects communications designed to inform consumers and other stakeholders about the company's efforts, commitment, and achievements toward environmental preservation (Dahlstrom, 2011; Belz & Peattie, 2009). Thus, green promotion should communicate substantive environmental information that has meaningful relations to the company's activities (Solaiman, Osman, & Halim, 2015) proportionally and must not be over claim. Otherwise, the company may be perceived as a green-washer that then possibly lead consumers to ignore the promotion or worse to boycott products or to complain to the regulators. Green promotion is thus unlikely to be an effective strategic tool unless it is supported by other corporate activities. However, the goals of such activities need to be clear and the company must be careful not to over claim.

Green claims used in promotion have confused consumers since consumers cannot know exactly whether the claims are correct or not. There have been many environmental terms used by companies in promoting their product such as recyclable, biodegradable, environmentally friendly, less energy consumption, and so on. Each term creates confusion on consumers who may come up with different idea about the green claim against the company's. Many stated that more consumers do not believe environmental claims and least likely to believe the environmental information provided by the company in advertisements, on product label or package (Solaiman, Osman, & Halim, 2015). Therefore, companies must be able to properly inform their green actions and products or they may simply stop promoting environmental advantages (green claims) of their product in their promotion.

Fact fully, consumers love to associate themselves with companies that are environmental stewards. When a company communicates this through their advertisements, promotions, publicity and corporate social responsibilities, they are sure to get many loyal customers (Yazdanifard & Mercy, 2011).

Tactically, this may also involve actions to reduce any negative environmental impact of the company's marketing communication efforts (Kotler, 2011). For example, Dell has switched to using, on average, 50% recycled paper in its direct mail catalogs (Gunther, 2006), and ING Direct has linked all its printed promotional materials to carbon-offsetting programs (Belz & Peattie, 2009). More strategic green promotion approaches are those designed to communicate the environmental benefits of the firm's goods and services. Such efforts may include advertising environmental appeals and claims, publicizing environmental efforts, and incorporating environmental claims on product packaging (Banerjee, 2002; Menon et al., 1999). For example, Timberland introduced its Green Index rating system to communicate the environmental impact of each Timberland product to consumers (Ottman, 2011). Meanwhile, in the U.K., Procter & Gamble touted the success of its campaign to lower consumers' washer temperatures to benefit from advancements in Ariel's technology as saving 60,000 ton of carbon dioxide annually (Belz & Peattie, 2009). For it to become more effective and existing, there must be coalitions of companies to reach the goal of protecting the earth thus, through promotions and financial improvements their company has experienced and able the public to witness the corporate responsibility they are oblige. Through this, traditional companies are encouraged to adopt the new and efficient practice.

Green promotion of the selected companies

SM

SM uses mostly advertising in its promotion activities. The company put its advertisements on TV, the internet, newspapers, outdoors (such as ballyhoo), etc. An advertisement promotes only one product and each product has different function and targets different consumers. Thus, each has different message depending on the product advertised. The advertisements emphasis more on product's function and for some products the advertisements expose herbal as the material of the product.

Some of the advertisements exposed environmental issues. For example, in their TV advertisements, SM exposed current condition of a big river in the capital city that is dirty due to rubbish thrown by people who live surround the river. Such behavior has caused the river cannot be the source of clean water for the community as it functioned few decades before. Due to the rubbish, the river caused flood. Through this advertisement, the company wants to increase people's concern on the river. Similarly, in responding the government calls out for limiting the use of plastic bags, the company created a campaign not to use plastic bags by distributing paper bags for people in the capital city. The company also bring up the beauty of Indonesia that combine with the function of a product. The message is to enjoy the view with concern to prevent cold by consuming the advertised product.

The company also releases its CSR-related activities that can promote either the company or the products to the press. One example is how it used public relations to inform public regarding to its concern on water hyacinth that has become the problem in a swamp that has been the tourist destination in the region and transformed it into bricked-like product. This was part of the campaign it created under the theme of "Developing the tourism by saving the water source of the swamp."

CV

CV promotes the business and the products through national and international trade exhibitions. The company participates on national trade exhibitions in almost each year. For international exhibitions, CV went for example to those in Singapore and Hong Kong. From the exhibitions, the company meets buyers coming from many countries and gets orders from the interested buyers.

The company uses seminars for promoting the products in many places around the country. Each seminar brings different theme. As an example, it conducted seminar with the theme of ‘Be Beautiful using Javanese Tradition’ to promote the concept the company relies on. For sales promotion, the company uses discounts in particular month.

Sales promotion girls and beauty advisors are assigned to educate consumers about the natural aspect of the products and to induce the message about the products that are natural and no chemical additive. This is to convince consumers that the cultural heritage products the company commercializes are very good. The education is considerably a must to create the awareness on the traditional products that have been used for generations. The owner believes that the best cosmetics are those from the Java traditional one and therefore the company also bring message about ‘to love traditional cosmetics’. When it wants to introduce that aroma can be used for therapy that can heal effectively, the company uses the tag ‘aroma therapy healing spa of Javanese spa’ to build consumers’ perception on the company’s spa products.

BS

BS promotes the products and services through advertisements in newspaper and radio. The advertisements focus on the class the company offers to those interested in learning how to make batik and not on the batik. Even in radio broadcasts, the company promotes the business as one tourist destination in the city offering one stop shopping for batik which cover buying batik, learning making batik, studying about the history of batik, and providing place to discuss about batik. To attract tourists to come, the company builds networking with local tour and travel agents that especially handle foreign tourists coming into Indonesia who come for particularly the class of making batik. SM also builds a company website for intentionally educational purpose and not for transaction.

The company also participates in national trade shows more and forwards opportunity to participate in local trade shows to its clienteles. A clientele is a former employee who starts their own batik business with the help of the company.

HP

HP conducts promotion programs through online and print publications. The programs are to promote the services and to educate local people about health and lifestyle whom the awareness is still low. For online, it creates a company website that is intended for communication purpose in particular. Through the website, guests can communicate should they want to avail of the services.

The founder personally promotes health and lifestyle awareness in the region through various publicity like being featured in periodicals and magazines, or being featured people in a regional Daily News. These are intended to share good value about health and natural healing. The company believes that it is easier for HP to sell and promote the products and services because of the shared values it has with the customers who will then voluntarily share their personal experience with HP. The personal experience of healing and testimonials of the guests through videos in their website help in promoting the company locally and internationally.

The company regularly updates the promotional and educational materials through the help of its photographer in all of the online and print publications.

GT

At the beginning, the company started promoting their products through direct selling, referrals and sampling. It then does event sponsorships, TV airing, radio ads, print ads, and digital ads such as YouTube, Facebook, and Google when the sales has started fruitful. GT also hires promotional girls who promote the products through a face-to-face interaction with current and future consumers. The company allocates the promotional girls in almost all of the stores in which the company's products have presence. One consideration of the company in selecting a way and media of promotion is the cost and coverage base on targeted demographic.

GT has been widely known for using natural ingredients in its cosmetic products. During the promotion the company highlights the benefits of these ingredients that are naturally produced by the environment. The company also definitely considers the environment in doing the promotion of the products by highlighting how beneficial the environment is for everyone. In line with this promotion, the company organizes tree planting every year to make sure to it gives back what is due to the environment. Generally, the purpose of each promotion activity is to create awareness and to promote not only the product but also the brand.

NL

The company promotes the products in a way and media of promotion by considering target audience, circulation, timing and the focus of the media. The purpose of each promotional activity is to educate and converse consumers' mind set into green-mindedness. Thus, NL binds the environment in its product promotion by focusing on promoting a greener production philosophy.

NL also promotes the products through local and international Green Trade Fairs by showcasing new design concepts, introducing the unique features of its products like setting the mood into highlighting a message that "natural is not boring", and showing that NL blends and complements with nature. Being featured in books and magazines as multi-awarded green ecoprenueurs and their advocacy are other ways of promotion. The company also conducts online promotions through interactive website, blogging, and other online activities.

The greenness of the promotions

Referring to definition of green promotion which involves education and changing buyers' view on product that is environmentally friendly, it can be seen that all of the selected companies have conducted green promotion but it differs in its focus. The companies educate people by using environmental issues in their ads in order to increase awareness on the environment like SM, GT, and NL do or building awareness about greenness of the product like CV, BS, and HP do.

With the exception on NL, the rest do not claim explicitly their products as green product in their promotion but simply highlight the natural characteristic of the product, such as natural process and natural ingredients/materials. The purpose of such highlights are to educate consumers whose awareness and acceptance on natural (green) product are still low.

The companies use variety media for their promotion covering online and offline media. The online media are for example website and social media, while the offline include such as magazines, radio, and trade shows. They however do not specifically target green consumers.

CHAPTER 8

GREEN DISTRIBUTION

Managing distribution

Distribution is important to make products available to buyers. It involves physical distribution of products from manufacturer to consumers which can be done directly or indirectly. In direct distribution, the company sells the products directly to customers. There are no intermediaries between the company and consumers. Companies can choose to do indirect distribution in which they sell through intermediaries. The intermediaries can be wholesalers and/or retailers. The latter is the most often used intermediary as it is in least distance to end consumers.

Companies can design their distribution channels by determining number of intermediaries involved in bringing the products to consumers in an effective and efficient way. There are four activities involved in designing effective distribution channels: analyzing consumer needs, setting channel objectives, identifying major channel alternatives, and evaluating the alternatives (Kotler & Armstrong, Principles of Marketing, Fifteenth Edition, 2014). The first activity is intended to know how and when consumers buy the product, whether they want to buy from nearby or distant location, buy in person, by phone, or online. Next, the company need to set the channel objective that can best serve the consumer needs. Here, the company needs to determine which marketing function it will handle itself and which one it will be given to intermediaries according to its size and financial capability. In identifying major channel alternative, the company deals with the decision about types of intermediaries (direct or indirect channel), the number of intermediaries (intensive, exclusive, or selective distribution), and the responsibilities of each channel member regarding to price policies, conditions of sale, territory rights, and specific services to be performed by each.

What differentiate conventional distribution and green distribution are several. The differences are discussed below.

Green distribution

Green distribution is activity to place products to the right consumers, i.e. green consumers (Yazdanifard & Mercy, 2011). Green consumers are those who have awareness on the environment and the company must thus deliver the product in a way that put concerns on the environment. Sudhalakshmi and Chinnadorai (2014) noted that places for offering the products and services must produce the least harm for the environment. Not only this external aspect, green distribution also includes internal aspect which refers to the internal environment of the company that gives sense of tranquility to managers and employees and considers the environmental issues in internal processes of the company and the proportionality between the internal space and the intended product.

Similar to conventional distribution, green distribution also concerns with developing and managing a channel structure which capable in handling the exchanges of information, money, and ownership of the product (Solaiman, Osman, & Halim, 2015). However, in relation to physical distribution, green distribution should be able to cut down transportation emissions that has effect at reducing the carbon footprint.

Green distribution involves actions related to monitoring and improving environmental performance in the company's demand chain (Godfrey, 1998; Martin and Schouten, 2012). Tactical efforts include working with channel partners to develop product reuse or disposal arrangements and ensuring customers are able to return recyclable materials. For example, Hewlett-Packard has partnered with Staples in its "authorized recycling location" program for printer ink cartridges (Matthews, 2011). Strategically, companies may create policies requiring suppliers and distributors to adopt more environmentally responsible standards in fulfilling their respective marketing roles (Zhu & Sarkis, 2004). Alternatively, companies may form "eco-alliances" with channel partners to improve the environmental impact of their joint activities, such as reconfiguring logistics arrangements to make them environmentally efficient (e.g., fewer and fuller cargos) (Dahlstrom, 2011). In this case, some of the world's leading consumer goods companies (e.g., Pepsi, Nestlé, L'Oreal) have collaborated with Tesco, one of their largest retail partners, to form the Supply Chain Leadership Coalition, which promotes ways to reduce the carbon footprint of their supply-to consumer distribution activities (Spencer, 2007).

Developing a credible green distribution strategy thus goes beyond improving the practicalities of fuel efficiency, shipping packaging, and the noise produced by depots (Li & Tang, 2010). It must also guarantee the 'ecological nature' of the product because the eco-performance of a product can be affected by the geographical relationship between the point of manufacture, the point of purchase, and the point of use during the distribution process.

A new green product has to gain access to potential customers through a suitable distribution channel to be successful. Thus, it is crucial to manage distribution accordingly. It must be noted that the green environment is a constantly regulated environment and as such high level of compliance is necessary when carrying out attribution of green products (Yazdanifard & Mercy, 2011).

Distribution practices of the selected companies

SM

SM does not distribute the products by itself. The responsibility to distribute the products in the entire markets in Indonesia is on a subsidiary that is specifically established for this purpose. The corporation regulates that SM should forward all the products it manufactures to the subsidiary for distribution. SM is not allowed to manage the distribution of its products and buyers cannot purchase the products directly from SM. The management of SM does not know exactly where the products are distributed.

Under the subsidiary, there are seven sub-distributors or representatives who act as the partners for delivering the products to entire Indonesia. However, the sub-distributors are the independent entities outside the corporation. Another subsidiary is also established to support the distribution activity by specifically providing vehicles such as trucks used for distribution.

As the subsidiary is responsible only for national market, distribution to foreign markets which cover countries in Asia, USA, Europe, and Africa is the responsibility of the export division in the company. The export division takes the products directly form SM and distribute them to different countries using port-to-port approach. For this, SM has established a branch in the Philippines to support distribution in Asia.

CV

CV uses direct and indirect channel of distribution for selling its products in national market which already cover entire Indonesia, from east to west. Directly, the company sells the products to end consumers through its own spa center. Consumers who come to the center can have body treatment using the company's products or buy the products displaying in the center. Direct distribution also applies to order-based purchases that usually conducted by industrial buyers. The company will send the order to the buyer using courier service available to reach the buyer. Indirectly, the company sell the products through specialty stores selling beauty products or cosmetic.

The company sells the products to international markets through exporting that has already covered markets in all Asian countries, Middle East, some countries in Europe, and the US. It seems that the company exports the products based on order by the foreign buyers who know the products and the company from the exhibitions in which CV participated in. As stated by the owner, some buyers come visiting the company before they put their orders. It is however unclear whether the company processes the export by itself or using the third party such as freight forwarders.

BS

BS sells the products using several ways. The primary way is to sell the product directly to buyers through its own gallery which is located in the same premise with the production facility. The company centralizes its business activities in a place in order to create a concept of 'one stop batik exploration' in which consumers not only can shop but also learn and have experience about batiks. Besides production facility and gallery, the company also locates in the place its office for doing administrative activities, ‘sanggar’ – a class-like area - for teaching making batik, library for displaying books about batiks, museum for showing batik-related artefacts, and home stay for those who want to stay while studying or learning about batik, and cafe for selling drinks and snacks to guests.

The company uses separate gallery for selling natural dyeing batik and regular batik. As explained by the manager, this way is to ease buyers to differentiate them. Otherwise buyers may not be aware of which one which since the company does not put label identifying each. This is also to complaints from buyers who may have difficulty to differentiate the products.

Outside the gallery, the company sells the products through specialty stores selling clothes or batiks. The company chooses the stores according to the criteria it sets and sells the products using consignment method. Individual resellers who buy directly from the gallery and sell them for profit are also welcomed. Nevertheless, the number is still limited.

HP

Considering the characteristics of products and services it offers, HP does not do distribution in particular since consumers must come to the site for having healing programs. In other words, the company sells its products and services directly in the site. It however also sells its fresh organic produce and herbal concoctions regularly at the Town Center every Sunday to serve more buyers who are interested only in consuming its fresh products.

The company’s organic products have already exported to Canada, America, and Europe based on order. It accepts orders from the guests of its Farmers’ Market at the company’s office located at different place from the center. The company also receives order from the website where the guests can communicate their need and want to avail of the services. Nevertheless, it is uncover how the company exports the products ordered.

GT

GT uses indirect channel of distribution to sell its products. The main channel is major chains of retail stores in Philippines such as Watsons Personal Care stores, Robinsons supermarkets, SM malls and supermarkets, Savemore supermarkets, Gaisano Metro chain of stores, as well as in other leading malls, department stores, and supermarkets.

The company also uses provincial distributors to penetrate provinces. It chooses the intermediaries based on their integrity, length in business, capacity to pay, distribution coverage, and capacity to sell. The company conducts warehouse audit to the distributors and logistics to ensure that the warehouse is clean and has controlled temperature and humidity so that quality of the products can be maintained. To cater international market, the company cooperates with international distribution partners which also distribute the products through retail outlets.

GT also sells the products online by entering e-commerce to cater the needs of customers who want to shop online.

NL

The company sells the products through retail stores especially the luxury retail and is partnered with local-based retail store specializing in souvenir items. The products are also available online. The company does not negotiate intermediaries for selling its products to the consumers who have built good relationships through time.

The company does the same practices for catering international market. It ships the products to their buyers by itself in bulk and places them in minimalist 20-footer containers with an eco-friendly packaging materials.

Non-green distribution practices

The selected companies do not specifically address green consumers in their distribution activities. They sell their products to any consumers and thus use channel of distribution that can direct to them. Referring to the understanding of green distribution that relates distribution of products to green consumers (Yazdanifard &

Mercy, 2011), it is apparent that the selected companies do not practice green distribution yet.

They even do not consider environmental issues in selecting ways to distribute the products. For example, they use regular vehicles and not specific vehicles that consume less energy or that produce minimal carbon.

CHAPTER 9

GREEN MARKETING STRATEGY: A PROPOSED MODEL

Green in Marketing Strategy

Green marketing adapts conventional marketing functions to consider environmental benefits in the development, promotion, distribution, and/or pricing of products and services (Dean & Pacheco, 2014, p. 15). It is a differentiation strategy that implements green attributes on the products for company to be able to achieve competitive advantage. According to Dean and Pacheco (2014), the key to gain competitive advantage is to understand value created by offering green product and embrace it as part of the value proposition of a company.

Applying green in planning marketing strategy can create problems because companies may not fully integrate green in their strategic planning but rather to put green as an additional activity in their marketing programs (Abror, 2011). There are ten steps for integrating green in marketing strategic planning: (McDaniel & Rylander, 1993),

1. Develop a policy regarding to the environment
2. Develop environmental leadership at the top level of management
3. Rent or develop an environmental lawyer
4. Give education or training for all employees to create environmental awareness among them
5. Create active communication with environmental groups outside the company and governmental agencies
6. Develop assertive action programs to the environment
7. Integrate all departments to facilitate flexibility in responding environmental needs
8. Allocate limited resources to show the commitment
9. Communicate the environmental-related actions through effective advertisements and publicity
10. Monitor consumers' responses by conducting active marketing research.

Green aspects in marketing strategy covers five things (Hasan, Nekmahmud, Yajuan, & Patwary, 2019): (1) green technology, (2) green marketing mix, (3) green management, (4) green supply chain management, and (5) green 3R (reduce, reuse, and recycle).

Green technology

The concept of green technology considers the usage of renewable natural resources that are endless and minimize negative impacts resulting from technology innovation and green engineering (Yi, 2014). It must embrace the principle of ecological efficiency (eco-efficiency) that can create value added in using technology by reducing environmental effect and resources consumption in all life cycle stages of the product.

Besides reducing impacts to the environment, green technology can help reducing industrial harmful (Hasan & Mahmud, 2017). Cloud computing is one of green technologies that can be used to maintain sustainability without producing harmful to the environment (Domdouzis, 2015). Software design is also considered as important factor in green technology (Engel, 2015).

Green marketing mix

Green marketing mix uses green product, green price, green place, and green promotion to apply green marketing strategy (Polonsky & Rosenberger, 2001).

Green management

Green management refers to implementation of green strategy in management process of a business. There are three elements in practicing green management: environmentally friendly operation, help to partners in the supply chain, and support for the internal control to leverage profitability and efficiency of the operations and to reduce costs (Chun et al., 2015). Steps must be taken in doing green management include reducing administration expenses, executing internal audit, simplifying the management process, redefining managerial authority and responsibility, promoting employee trainings, developing effective internal communication mechanism, and increasing organizational efficiency and performance (Mustapha, Manan, & Alwi, 2017).

Green supply chain management

Green supply chain management refers to an integrating environmental concern of business activities covering such as procurement, production or material management, distribution or marketing, reverse logistics practices to improve the productivity and profitability of the businesses (Srivastava, 2007). It focuses on environmental performance in all value chains. Company applying green supply chain management should take actions needed to make sure that products and services are environmentally friendly. It also should reduce transportation, warehouses, and wastes that create costs and more importantly reduce impacts of all elements of supply chain management to the environment (Darnall, Jolley, & Handfield, 2006).

Green 3R (reduce, reuse, and recycle)

The concept of 3R is considerably to achieve long-term environmental sustainability in manufacturing process (Bushnell, Harpster, Simchuk, Manckia, & Stevens, 2010). It is still viewed as the best way to deal with environment-related problems such as to reduce and manage rubbish that have been the problems for societies:

1. Reduce refers to efforts for reducing accumulation of garbage and preventing irresponsible garbage disposal by people
2. Reuse is to use rubbish or unused/disposed materials creatively in order to prevent accumulation of garbage
3. Recycle is activities to process recycle rubbish or unused materials to be other stuff using particular processes.

Types of green marketing strategy

When companies consider both the market size and competitive landscape, they can identify several contrasting opportunities to serve a target market. Figure 9.1

underscores four potential green marketing strategies that vary based on the size of the green market and the ability to differentiate based on the greenness of the product.

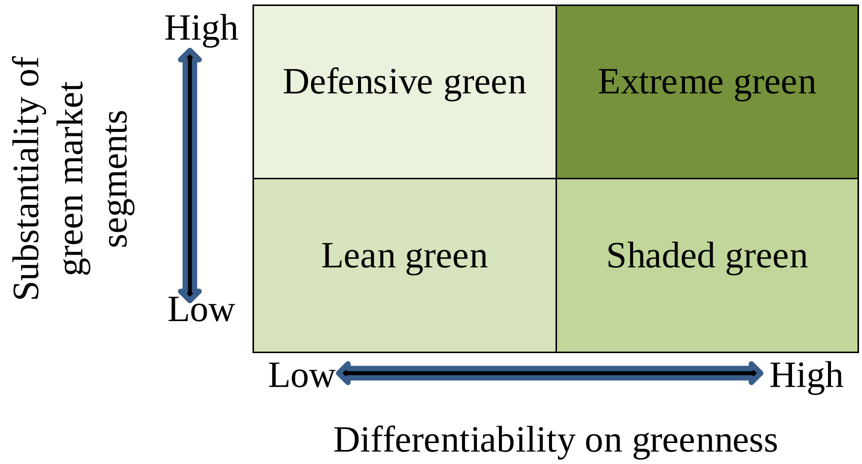

Figure 9.1. Green Marketing Strategy Matrix (Makower, 2009)

1. Lean green strategy

   Lean green strategy refers to a situation in which the size of the green market is modest and the firm has limited ability to differentiate based on the greenness of product offerings. According to Makower (2009) as cited by Ginsberg and Bloom (2004), firms in this category are likely to engage in corporate social responsibility, but they do not publicize this action. It is likely that firms that face this competitive environment will not be able to engage in a pricing strategy that asks consumers to pay more for products that are sustainable.

2. Defensive green strategy

   The strategy reflects a situation under which the market for green products is large, but the ability to differentiate based on the ecological merits of the product is low. Thus, this market is highly sensitive to the environment, but it is very difficult to establish one product offering as ecologically superior to other products (Zmuda, 2008).

3. Shaded green strategy

   The shaded green strategy refers to a market in which the demand for ecologically sensitive products is low, but there is a substantial opportunity to differentiate based on ecological viability of a product.

4. Extreme green

   Extreme green refers to a competitive context in which the demand for green products is large and the ability to differentiate based on product greenness is substantial. The brands in this category often are initiated with a strong desire to promote and foster sustainability (Ginsberg, 2004). Firms that face this competitive landscape offer products with premium prices but the value over the course of the product life is emphasized in marketing campaigns.

Five strategies for environmental marketing

Dean and Pacheco (2014) outline strategies for green marketing which termed as environmental marketing. They argue that the practice of green marketing is changing and becoming more sophisticated and tailored according to conditions of the target market and organization. Companies do not only create product that deliver environmental value (green product) but also combine the value with strong functional and emotional appeal. For example, the Body Shop does not only produce green product with green processes but it also offers good quality of products and create emotional appeal for consumers who use the product by having prestige.

Dean and Pacheco see that companies are now applying new strategies in their green marketing practices. They suggest five strategies which can potentially help in marketing environmental attributes and benefits of green product better. Figure 9.2 present the five strategies and each is elaborated below. These strategies are for environmental positioning and marketing which are reflective of the potential customer base and types of value created for these customers.

Figure 9.2. Five Strategies for Environmental marketing
(Dean & Pacheco, 2014)

1. The Pure-Green Play

   The strategy is to market pure-green attributes of a product/service to consumers who have concern on the environmental impacts from buying the products. The pure-green consumers clearly have preference to products which produce lower impact to the environment and are willing to pay more for those attributes. Operationally, a pure-green play is mixed with other value attributes, such as status or functional value. However, it is unclear the reasons for people to buy pure-green attributes but it possibly relates to concerns for the welfare of others or individual responsibility. An example for such product is renewable energy which is sold to residential.

2. Market Green Status and Image

   The strategy is to market a product to status or image conscious consumers by offering environmental attributes that fulfill individual desire. Such consumers usually want to send a green signal through their purchases. Selling to these consumers is similar to selling to pure-green consumers.

3. Sell Functional Value

   This strategy goes beyond the pure green and status attributes of green products. It offers benefits that enhance values to customers. The benefits may include higher efficiency and cost effectiveness, health and safety, convenience, better quality and performance.

This strategy is attractive for three primary reasons. First, it broadens the target market for green products. Second, it is more resilient to changes in consumer attitudes toward green products since it offers superior benefits rather than relies on green claim. Third, benefits are rooted in the products that are usually greener one due to the nature of the product itself. This strategy has proven successful for many industries because by combining the functional value propositions can increase opportunities available to companies.

4. Target Commercial Market

   Environmental marketing has focused on selling green products to consumers. Opportunities to address commercial markets are becoming higher. Industrial buyers interested in green offers are increasing and thus selling to them brings some advantages. Industrial buyers consider costs as a critical and they are more likely to buy green products that give higher energy efficiency which means cost saving fo them. Their intention to buy green product is higher in relation to stricter regulations on hazardous waste. Green product that does not use hazardous materials may not produce hazardous waste and this can cut their costs to manage the waste. More importantly, industrial buyers can enhance their green image or reduce risk of criticism for purchasing from green suppliers.

5. The holistic brand

   Companies with this strategy focus on building a brand image to which environmental considerations are central. They do not promote their environmental activities (even though they really do) or green attributes of their products but promote quality of their products. They use environmental activities to create and support a holistic brand image that is consistent with the product and business strategy. They may achieve a sense of doing the right thing.

Phenomena on green marketing practices

There is lack of studies on green marketing application by companies in the emerging countries. The phenomena on green marketing practices of the selected companies will to some extent fill the lack and thus it is intended not to describe each company individually which has been elaborated in previous chapters but is intended to be quite general to represent the condition that will be the basis for understanding the effective strategy for promoting their green products.

<u>The Indonesian Companies</u>

The Indonesian companies produce the products not solely for selling them but also for educating the market. The purpose of the educative programs are to increase awareness of consumers on the green products that generally is relatively low. Such low awareness on green product includes both internal and external consumers. The internal consumers are the permanent and temporary employees who work in especially production process. The external consumers include local and foreign buyers, individual and business consumers.

The companies differentiate themselves from the competitors through the brand name. They can identify their competitors clearly and also know exactly who their target market is. Based on the fact that their target markets are low in their awareness on green product, the companies position themselves as regular manufacturer that does not relate their market positioning to the greenness of their products. They rather position themselves based on their unique characteristics. For example, SM positions itself as a modern pharmaceutical-based herbal drinks producer, CV as a natural cosmetic manufacturer, and BS as a producer of natural dyeing batik.

Limited understanding of the companies on green marketing that possibly lead them to have such practices. Presumably that knowledge will create particular understanding, it seems that the companies only know about product that is green but it is unclear that they have knowledge about green price, green promotion, and green place. Each company have differentiation on their products which make their product have uniqueness. For example, SM produces customized herbal drinks according to the target markets, CV produces body scrub for especially spa purpose, and BS manufactures batik with the city icons as the pattern.

The companies promote the products to consumers using above the line (such as advertising, sales promotion, exhibition) and below the line (such as activities on corporate social responsibility). Besides this forward relationship with consumers, the companies also concern on backward relationship with the suppliers. This is considered as important for some reasons. First, the suppliers of their raw materials are the external entities and good relationship with them will ensure the supply. Second, the raw materials are natural and seasonal that make the companies sometimes encounter difficulties in keeping the inventory sufficient. Third, the quality of raw materials is also the issue since natural characteristics of the materials it may not be fully standardized.

The companies have not yet use eco-friendly materials for packaging the products since such materials have not been available yet. They still use plastic-based packaging that is not eco-friendly. Even though it can protect the product well, but their packaging has not comply with green regulation. The companies identified as having knowledge on green regulation. Their knowledge relates to regulation about green industry issued by the Indonesia Ministry of Industry about sustainable industry and more specifically knowledge on product ingredients. This specifically relates to SM who shows commitment to maintain its green proper attributed to it.

Compliances to the regulation is a challenge the companies should do. Other challenge in practicing green marketing relates to creating a green product with standardized quality that is relatively a problem due to quality of the natural materials which also varies. Compliance to regulations on wastes management is another challenge since it will be more rigid in the future and thus it will be more difficult for the companies to comply with it. As a consequence, green claim based on environmentally friendly wastes management will be more difficult to do.

The companies also face product-related challenges in order to maintain the greenness of the product in terms of raw materials. For this purpose, the companies do clientele to the farmers who are their suppliers. The companies teach them to grow herbs naturally without chemical fertilizer and to harvest on the best time so that the herbs are green and in their best quality. The companies also help the farmers to grow their business for bettering of their economic condition by buying all their harvested herbs at the reasonable price.

The companies receive the government support in their green activities such as mentoring on getting protection on intellectual property rights, helping in building waste management system, granting awards of green business compliance, helping in dealing with negative claims faced by the companies, and giving knowledge about eco-label. These indicate that the government takes role in green practices of the companies.

The green practices of the companies are without no barriers. Thing limits the companies in practicing green marketing is limited availability of laboratory which can support them in developing their green product. For example, BS wants to develop coloring paste from the materials it uses for dyeing. Transforming the materials into paste will increase practicality in dyeing process. However, the company cannot find laboratory that can help it in developing the coloring paste and it must continue to do the old way. Another barrier is obligation to do reporting about the company's green activities in relations to fulfilling the requirement for maintaining green status.

The companies see the opportunities by being green and managing the wastes is one of the green marketing activities that must be business-wide. They are working toward it. This shows that the companies are heading toward green marketing even though some barriers still exist. In other words, the companies have limitations in applying green marketing. Nevertheless, as we know before, the government takes role in supporting companies in practicing green marketing through relevant regulations enabling companies to fully apply green marketing.

Even though the companies' knowledge on green product varies ranging general knowledge to specific knowledge about eco-label, they perceive that their production process is green. They think that since they use natural materials taken from the nature, the production should thus not harm the nature and the process should comply with the environment. Their production process is deliberately an eco-friendly process. They accordingly take actions that are also considerably green. They do collaboration and cooperation with other institutions to support their business activities. For example, BS collaborated with the local governments to build the road to the gallery in order to attract more foreign tourists to come. This is in line with the local government's interest to increase tourism. CV cooperated with universities in doing research and development in particularly *curcuma zanthorrhiza* (Javanese ginger) as the basic ingredient of cosmetic. SM coordinated with the office of the Ministry of Industry for building its waste management system. There are still some collaborations and cooperation the companies have conducted in this purpose. These show their green business actions.

The other actions taken by the companies are however not green yet in particularly distribution of product and pricing method. As discussed before, the companies distribute the product locally and internationally using regular way. Similarly, the pricing strategy is cost-based method that does not include green costs in their pricing.

Considering the practices of the Indonesian companies, overall it can be stated that the Indonesian selected companies to some extent conduct green practices in their strategy but they do not use them for their benefits in their marketing. Their actions can be labelled as regular marketing within green practices.

The Selected Companies in Philippines

The companies in Philippines produce environmentally friendly product since the inception as their green initiative. They define greenness of the products according to ingredients used in producing the products that are natural and green certifications awarded to the product. They stress natural ingredients as their differentiation. GT for example specializes in using natural and safe ingredients and promotes this as its positioning as it sees that consumers now tend to prefer and patronize products that are natural and organic.

The certification is strategically important for assuring consumers whose awareness on green are still low that the products are green and reliable. Green certification helps the companies to create more market opportunities even though they have already gained opportunities resulted from their reputation or credibility. Nevertheless, lack of fund is the barrier for them to get certification. They consider it as too expensive to get national and especially international certification. HP even chooses not to get one because of the limited fund it has.

The companies view that market condition of the green products in the future is becoming better as a result of the changing consumers attitude on products to buy. Consumers now are more knowledgeable and are more environmentally concern. NL identifies one thing that supports the company in selling and promoting the products to the customers is their shared values in terms of ethical practices and concern for the environment. Nevertheless, generally they think that the competition is stiffened due to the new players coming in the market and the companies sustain their position in market by doing particular strategy such as creating product innovations. The open trade between the ASEAN Countries resulted in higher competition coming from imported products. GT responded to this condition by using premium ingredients to maintain the quality and efficacy of their products as well as are compliant to all legal requirements. Meanwhile NL continuously builds its brand image by crafting clear positioning statement which highlights their products made from an organic/natural material, emphasizes the reduction of negative impact on the natural environment, the environmental preservation and the like. Both companies also intensify research and development activities to cater consumers need with updated and innovative products. One consequence of this is the demand for their products locally has reached critical. As the response to this, NL prompts to go to other regions while GT stays innovative. GT’s management makes sure that it will not stop learning. GT uses market research and R&D as the basis for the company to materialize its innovative concepts or ideas. To keep up with the international trends, GT regularly attends international exhibits and continually partners with professional pool of premium ingredient suppliers that offers technical trainings and seminars.

The current markets are deliberately satisfied. Consumers do repeat buying and the companies do not experience significant negative issues from any of their stakeholders. If any, the management of GT will eventually turn negative issues as one of its strengths by taking corrective actions as part of its regular monitors on the company's performance. At the beginning, GT invests more on the quality and effectiveness of the product and less on the packaging. It is not easy to convince the customers to try the product because they usually judge the product by its packaging. Word of mouth testimonies from those who tried the product and found it to be effective make more customers try and buy the products. Later on, the company invests in the beautification of the packaging that make customers love it and following it the company increases the price accordingly.

Consistent to its green orientation, HP uses leaves and not plastic for wrapping food and recyclable jars for the juicing. Similarly to NL that invest in developing environmentally friendly packaging for shipping the products to the customers. The companies however set the price based on costs and less consider the green aspect of the product.

The companies have different opinion on the government supports. GT feels that the government's initiative to enhance green practices to retailers and consumers gives benefits to the company and its market is open wider as a result. On the other side, NL views that the company experiences lack of support from the local government. One difficulty to market its products locally because no green certification available in the Philippines and those from Europe or United States for example are high that the company cannot afford it. Poor locally green procurement also has made the company has difficulty in selling and promoting their products to customers.

The companies see the Philippines as the potential market. This will be addressed if the government will support this advocacy and make this as a priority in educating all sectors in the industry to the smallest unit of the society. As this has been less than expected, the companies should encourage consumers to purchase and educate them on green consumerism.

The companies use regular media of promotion such as magazines and TV except HP that relies more on testimonies of the customers. The products are sold offline through mostly retail stores and online.

In the product distribution, the company have problem in the countryside and remote areas. GT gets the services of third party logistics to strengthen their distribution.

In general, they seemingly have a sense of doing the right thing. For example, HP think that people should love themselves by taking care of their body, heart, mind and soul, take care both inside and outside environment and thus they educate people to live an empowered life by embracing love, peace and healing.

The proposed marketing strategies to promote green products

The greenness of the marketing practices is different between the companies in Indonesia and those in Philippines. The latter is considerably greener than the first. Nevertheless, they face similar issues and problems: lack of consumer awareness and acceptance on green product. They do educate the consumers to overcome this. Based on the phenomena faced by the selected companies, the proposed marketing strategy can be set according to product and consumer.

The companies produce green product. The companies can choose to treat and promote their green products as either green product by emphasizing green attributes or conventional product by promoting their functional attributes only. The companies can also choose to sell the products to specifically green consumers who have concerns on the environment or to conventional consumers regardless their concern on the environment. The choice will lead the companies to adjust or adapt the other elements of marketing mix (pricing, promotion, and distribution) accordingly. The subset produces four alternatives of strategy: traditional marketing strategy, green extension strategy, green innovation strategy, and green marketing strategy (see figure 9.3).

1. **Traditional marketing strategy** refers to strategy offering conventional product to conventional consumers. It does not consider green attributes of the product or company in marketing activities and thus is targeted to consumers who seek only day-to-day benefit of the product. Here, the green product is promoted as a conventional product disregarding its green attributes.

2. **Green innovation strategy** is the strategy to offer green product to conventional consumers. Pricing, promotion, and distribution must not necessarily be green. Environmental costs may not be included in pricing. Promotion exposes functional attributes of the product only and may not emphasis green attributes of the product or the company. Product is distributed using regular channels.
3. **Green extension strategy** is a strategy to market conventional product to green consumers. This is possibly appropriate for conventional products that do not satisfy green consumers' needs due to their lacks in product quality, benefits, or availability.
4. **Green marketing strategy** refers to a strategy in marketing green product to green consumers. The elements of marketing mix are adapted to emphasize green aspects of the product and the company. Environmental benefits are the focus in marketing programs while still considers profit attainment.

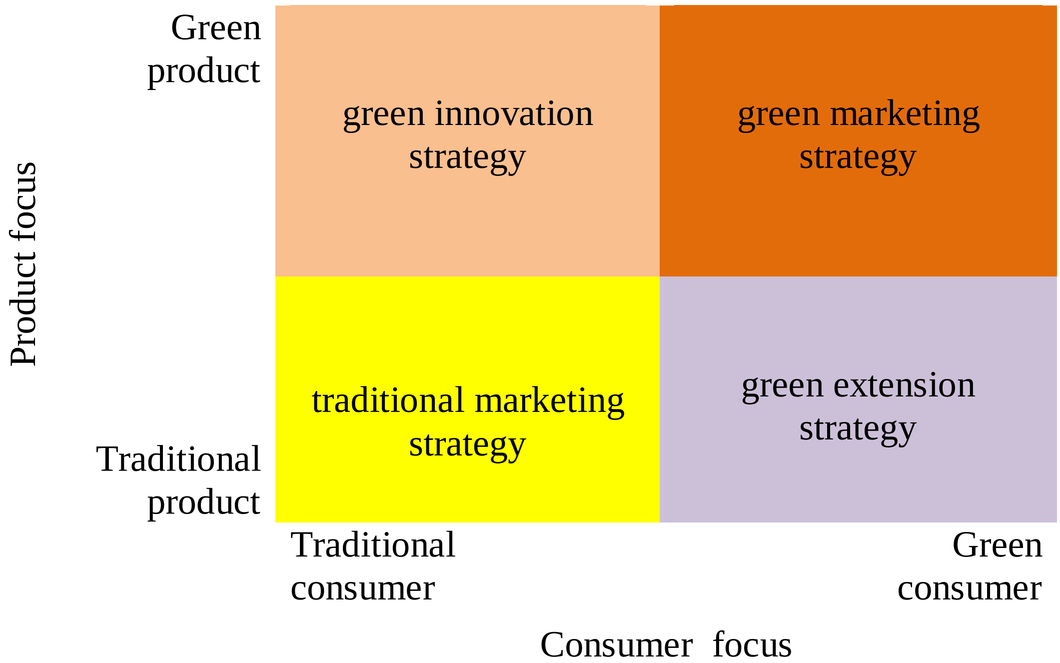

Figure 9.3. A Proposed Model of Marketing Strategy to Promote Green Product

This proposed model is generated based on the conditions of the selected companies and it is intended to create effective green marketing strategies to help the selected companies marketing their green products successfully. The strategies are generated based on current marketing practices of the companies using the frame of green marketing mix (green 4Ps) and issues being faced by the management in marketing their green products. Therefore, its applicability for other companies in other countries needs to be tested further since specific conditions may influence marketing strategies taken by companies.

The Indonesian companies can possibly select to adopt green innovation strategy for their effective strategy since their products are already green and do are their actions but they do not have intention to expose green aspects of the products and the company in their marketing programs. As green market potency increases, the companies can then apply green marketing strategy.

The companies in Philippines can adopt green marketing strategy as their products are green and some already promote green attributes of the products and distribute the products intentionally to green consumers. The companies can adjust the regular price currently applied into green pricing gradually along with the increase in consumers' awareness on green.

CHAPTER 10

THE FUTURE OF GREEN MARKETING

The first stage of green marketing started in the late 1980s when the concept of "green marketing" was introduced and discussed (Peattie & Crane, 2005). The concept introduced ecological products that was equivalent to green products. Green consumption was still very low at that time.

It entered its second stage in the 1990s, when marketers started to experience a backlash (Wong, Turner, & Stoneman, 1996): high concern about green issues; still low consumption of green products; companies involve themselves in using less raw material, wasting less; corporate efforts in recycling, energy efficiency, corporate responsibility. Gradually, marketers realized that consumer concern for the environment and a concomitant desire for green products did not translate into the active purchasing behavior (Wong, Turner, & Stoneman, 1996). The actual growth of green consumerism was found to be very little and a difference between concern and actual purchase was identified (Crane, 2000; Peattie, 1999). The dramatic growth in green marketing excitements at the beginning of the 1990s has gradually lessened (Peattie & Crane, 2005).

Gradually, the rise of green consumerism has led to an even broadened consumption concept called ethical consumerism. According to Bowen (2000), ethical consumerism refers to buyer behavior that reflects a concern with the problems that arise from unethical and unjust global trades, such as child labor, low-paid labor, infringement of human rights, animal testing, labor union suppressions, inequalities in trading relations with the Third World, and pollution of the environment. Both green consumerism and its subsequent ethical consumerism are forms of symbolic consumption because consumers consider not only individual needs but also social values, ideals and ideologies. Since the emergence of the green consumerism and ethical consumerism which arose in the mid-1990s, consumers have started to demand a green in the production, processing and resourcing of the products.

The third stage of green marketing started in the late-1990s when scholars started to call for "sustainability marketing" for anticipating the continuous uprising forces of ethical and green consumerism (Charter & Polonsky, 1999). Sustainability marketing refers to the building and maintaining of sustainable relationships with customers, social environment and the natural environment. Green marketing entered a self-adjusting mode and only companies having intention for long-term sustainable business development continued to stay and improve on their products.

Since 2000, green marketing evolved into a fourth stage. The implementation of more advanced technology, stricter state enforcement on deceptive claims, government regulations, incentives, and closer scrutiny from various environmental organizations and the media, many green products have greatly improved and regained consumer confidence in the green products (Simons et al., 2006). Together, with the continuous rise of growing global concern about the environmental quality, green marketing has made a vital comeback with new concepts as eco-friendly or going green (Simons et al., 2006). Initiative of companies from developed countries to internationalize their business in order to expand their market will bring their green marketing with them. They can increase their sales and take advantage of the positive image of their green brands established in their domestic markets (Simons et al., 2006).

How will green marketing be in the future is an interesting question. Will there be a fifth stage of green marketing? How will it look like? Looking back into its history, green marketing has reached its popularity in the mid of 1900s in which European and American multinational corporations in particular made significant changes in their products, production systems, and promotions in response to green concerns. However, green consumerism had been increased very slightly. There had been a gap between concern and actual buying on green products. The companies were struggling their market and then green claims declined. Peattie and Crane (2005) stated that such failure in green marketing practices was caused by distrust of consumers on green things the companies have relied on so far. As they cited from King (1985), what companies called marketing was not actually marketing. It was a false marketing that focuses inappropriately on green marketing activities. In one side, companies oriented to production, selling, costs, and legislation but on the other side consumers were interested on fulfilling their needs.

It seems that there must be adjustments on the focus of green marketing for it can sustain its existence. Green marketers should progress their activities into genuinely green aiming at sustaining the environment and not solely on costs or legislation. Nevertheless, it is not enough if the market is so limited for companies marketing green products. Thus, the society is also need to change and become greener. The fifth stage of green marketing will possibly the results of the adjustments made by companies and also consumers.

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The initial purpose of this book is to contribute on developing knowledge on green marketing practices in developing countries that considerably still limited. The knowledge was generated from the exploration of the selected companies in Indonesia and Philippines producing green products. It ends with a proposed model of green marketing strategy that helps companies in both countries successfully market their green products. It is too early to claim the model represents developing countries in general. For more extensive application of the model, tests it on other developing countries is necessary since green marketing is possibly contextual in its implementation.

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