REINVENTING MARKETING TO MANAGE THE ENVIRONMENTAL CHALLENGES

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ABSTRACT

Marketers in the past have based their strategies on the assumption of unlimited resources and no environmental impact. In the modern era of globalization, it has become a challenge to keep the customers as well as consumers in fold and even keep our natural environment safe and that is the biggest need of the time. With the increasing recognition of limited resources and indirect environmental costs, marketers need to re-examine their theory and practices. They need to revise their policies on product development, pricing, distribution, and branding. The recent financial problems has added another layer of concern as consumers adjust their lifestyles to a lower level of income and spending. Companies must balance more carefully their growth objectives with the need to pursue sustainability. Increased attention will be paid to employing de-marketing and social marketing thinking to cope up with environmental challenge.

Keywords: Environment, Sustainability, Externality Costs, Consumer Lifestyles, Green Marketing, De-Marketing, Social Marketing

I. INTRODUCTION

In 1997, Random House Webster’s Dictionary of American English defined marketing as “act or practice of advertising and selling a product.” Recently, we have broadened our view of marketing, as captured in the latest American Marketing Association (2008) definition : “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for consumers, clients, partners, and society at large” (see http://www.marketingpower.com).Furthermore, over the years, marketing has moved beyond products to include other offerings, such as services, experiences, places, persons, ideas, and causes. Now, we see the rise of a whole new marketing environment that will affect the science and practice of marketing in the coming years. Marketers have had to recognize such forces as globalization, cultural differences, the Internet, social media, brand proliferation, retail concentration, recession, sustainable development and environmental change.
II. THE ENVIRONMENTAL CHALLENGES AND TREND OF EMERGING MARKETS & COMPANIES

Of these forces, I would like to comment on the profound influence that the environmental agenda is likely to have on marketing theory and practice. Companies must address the issue of sustainability. Sustainability raises the question whether this generation can leave future generations with the same or a larger basket of resources than we have now (see World Commission on Environment and Development 1987). It would be easy for this generation to use up more of our resource endowments and leave future generations with less, and this would be unconscionable. According to Professor Walter Georgio Scott (2005), we face not one but several environmental challenges:

• A change (probably irreversible) in the composition of the atmosphere and consequently of the climate;
• A depletion of the ozone layer, the shield protecting the Earth from ultraviolet radiation;
• Soil degradation and increased desertification;
• Increased air and water pollution;
• A reduction in the availability of fresh water; and
• Increasing depletion of physical and natural resources, from oil to copper, to timber, and so forth.

Markets are distinctly different from mature markets. Each one has significant impact on at least one of the four areas of marketing (theory, strategy, policy, and practice) and often on all four areas. Each of the following five subsections describes these dimensions.

2.1 Market Heterogeneity

Marketing trend tend to have very large difference relative to the mean across almost all products and services. This is because markets may be local, fragmented, low scale, and mostly served by owner-managed small enterprises. They reflect the phase of pre-industrialization and, therefore, reflect characteristics of market heterogeneity. Heterogeneity of emerging markets is further compounded by large skewness (as much as 40%–
50%) toward what is referred to as the “bottom-of-the-pyramid” consumers. These consumers have no access to electricity, running water, banking, or modern transportation; until recently, they had no access to telephone or television. Most of them are still illiterate and, therefore, do not read newspapers, magazines, or books. More important, heterogeneity of emerging markets is less driven by diversity of needs, wants, and aspirations of consumers and more driven by resource constraints.

2.2 Sociopolitical Governance

Marketing trend tend to have enormous influence of sociopolitical institutions. These include religion, government, business groups, non-governmental organizations (NGOs), and local community. Markets are more governed by these factors and less by competition. It is not unusual to have numerous government-owned and – operated enterprises serving the markets with monopoly powers. For example, until recently, most communist markets were served only by government enterprises as monopolies with limited or no choice. Even today, it is important to understand the rise of these enterprises as global competitors. Examples include Gazprom (Russia), Petrobras (Brazil), CNOOC (China), and India Coal (India) in both government and business groups will require us to rethink our theories of competitive advantage anchored to industry structure or resource advantage perspective.

2.3 Unbranded Competition

Lump-sum 60% of consumption in emerging markets so far has been for unbranded products and services, for at least two reasons. First, many branded products and services are still not available in rural markets for a variety of reasons, including lack of access, poor infrastructure, and higher cost of running business. A second, and more important, reason is that a household is not just a consumption element but also a production element. There is a high value add through labor on making consumable products from raw materials for all basic necessities; for example, households cooking, cleaning, building their own homes, and sewing their own clothes is still prevalent in most subsistence markets and also among the urban poor consumers, such as the slum dwellers. Outsourcing is less, partly due to availability of labor at home (women and children) and partly due to lack of affordability of branded products and services. Unbranded products and services as a unique characteristic of emerging markets suggests that market creation (from making to buying) and market development may be more necessary (and potentially more profitable) than market orientation.

2.4 Chronic Shortage Of Resources

Marketing trend tend to have a chronic shortage of resources in production, exchange, and consumption. For example, chronic shortage of power (electricity), inadequate supply of raw materials, and lack of skill-based labor tend to make production sporadic, inconsistent, and nonreproducible. Consequently, it results in diseconomies of scale. Similarly, exchange has high transaction costs as a result of lack of scale and inadequate financial, physical, and other support mechanisms. Finally, consumption also tends to be alone. Similarly, a few highly diversified trading and industrial groups dominate the emerging markets. Examples include the Tata, Birla, and Reliance Groups in India; the Koch Group in Turkey; the Perez Companc Group in Argentina; and many similar business groups in Mexico, Indonesia, and Brazil. Therefore, our current perspectives of resource or capability-based advantage may need to be supplemented by resource improvisation advantage. This means
innovating low-cost, affordable products and services that are also consumption efficient and versatile in alternate access and exchange.

2.5 Inadequate Infrastructure

Just as there is a chronic shortage of resources and a disproportionate size of below-poverty-level consumers (subsistence economy), another characteristic of emerging markets is inadequate infrastructure. Infrastructure includes not only physical roads, logistics, and storage but also market transaction enablers, such as point-of-sale terminals, and basic banking functions, let alone credit cards. It also means lack of communication, information, and transaction technologies, such as telephones and electricity. While the large metro areas may have adequate infrastructure, in general this is not the case in the rest of the market. The exchange of goods and services called “commerce” has been a central concern of society for endless centuries. Humans realized long ago that creating a centrally located “hub” for such exchange was the most efficient way to organize commerce. Therefore, nontraditional channels and innovative access to consumers may be both necessary and profitable in emerging markets. For example, the most profitable and largest market for Avon Products is now Brazil because it has been able to organize one million independent agents as its sales and delivery force.

We need to recognize a major difference in the mindsets of firms and consumers in the pre sustainability versus the sustainability world. Consider the largely unexamined assumptions of marketers in the past:

• Wants are natural and unlimited, and encouraging limitless consumption of good.
• The planet’s resources are unlimited.
• The earth’s carrying capacity for waste and pollution is unlimited.
• Quality of life and personal happiness increase with increased consumption and want satisfaction.

In contrast, those who press for sustainable practices hold the following principles:

• Wants are culturally influenced and strongly shaped by marketing and other forces.
• The earth’s resources are limited and fragile.
• The earth’s carrying capacity for waste and pollution is very limited.
• Quality of life and personal happiness do not always increase with more consumption and want satisfaction.

Sustainability-driven companies need to explain how they would revise their goals and operations to pursue sustainability. They need to introduce new and broader criteria to direct their new product development programs, invest more in reuse and recycling, and convince all their stakeholders—employees, channels, suppliers, and investors—to accept many difficult changes. Some companies have adopted the environmental credo with zest, and we need to find out more about their policies for balancing profitable growth and sustainability. General Electric, under the leadership of Jeff Immelt, has launched the Eco imagination program, looking for ways to make profit out of solving social problems. DuPont has done a great job of finding ways to reduce pollution and produce materials that are sustainability appropriate. Wal-Mart has built its truck fleet to be more fuel efficient and is also goading its suppliers to change their truck fleets to be more fuel efficient and less polluting. By 2012, Wal-Mart will require more than 60,000 of its suppliers to source 95% of their production from highly ranked “environmentally oriented” companies.
III. NEED TO RETHINK ABOUT EXISTING PERSPECTIVES AND PRACTICES

Major pressure for changing marketing practices may come from consumers themselves. Consumers are the ultimate power brokers. Marketers have viewed consumers as choosing among brands on the basis of functional (Marketing 1.0) and emotional (Marketing 2.0) criteria. But many of today’s consumers are adding a third dimension—namely, how the company meets its social responsibilities (Marketing 3.0). Consumers today carry new concerns, doubts, and fears. Will they keep their jobs? Can they save enough for retirement? Will the road traffic get much worse? Will the air get more polluted? Will products be made in ways that are environmentally clean? An effect of the recent financial meltdown has been to drive people to think more reflectively about their lives as consumers. At one time, we called them “citizens”; now we call them “consumers.”

3.1 Rethinking Marketing Theory

Marketing theory presumes that customers have choices and that the role of marketing for a company is to make its offerings the customer’s choice. Therefore, it presumes that in a monopoly, there is no need to market because customers have no choice. Conversely, in contestable markets, the role of marketing is critical, and it must create a differential advantage, which is presumed to result in superior financial performance. Therefore, it presumes that in a monopoly, there is no need to market because customers have no choice. Conversely, in contestable markets, the role of marketing is critical, and it must create a differential advantage, which is presumed to result in superior financial performance. Over the years, several marketing scholars have proposed their own theories or perspectives on how marketing can create a differential advantage, or they have used frameworks developed in other disciplines—most notably, economics and sociology—to empirically test them in the marketing context (Hunt 2010). There are three of them in the following subsections and then suggest how the context of emerging markets, with its unique characteristics, may require some rethinking (see Table 1).

Table.1

Rethinking Existing Perspectives and Practices

<table>
<thead>
<tr>
<th>Product Category</th>
<th>From</th>
<th>To</th>
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<tbody>
<tr>
<td>Marketing theory</td>
<td>a. Differential advantage</td>
<td>a. Aggregation advantage</td>
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<td></td>
<td>b. Industry structure</td>
<td>b. Government policy</td>
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<td></td>
<td>c. Resource possession</td>
<td>c. Resource improvisation</td>
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<tr>
<td>Marketing strategy</td>
<td>a. Market orientation</td>
<td>a. Market development</td>
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<td></td>
<td>b. Relationship marketing</td>
<td>b. Institutional marketing</td>
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<tr>
<td></td>
<td>c. Customer satisfaction</td>
<td>c. Convert nonusers to users</td>
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<td>Marketing policy</td>
<td>a. Compliance</td>
<td>a. Inclusive growth</td>
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<td></td>
<td>b. Excessive consumption</td>
<td>b. Mindful consumption</td>
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<td></td>
<td>c. Finance driven marketing</td>
<td>c. Purpose driven marketing</td>
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<tr>
<td>Marketing practice</td>
<td>a. Glocalization</td>
<td>a. Fusion</td>
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<td></td>
<td>b. Diffusion of innovation</td>
<td>b. Democratization of innovation</td>
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<tr>
<td></td>
<td>c. Country of origin advantage</td>
<td>c. Nation brand advantage</td>
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3.2 Rethinking Marketing Strategy
What matters most from a marketing perspective in outsourcing decisions is informing, educating, and enabling customers through workshops, social media, and channel development. This is similar to what happens for new technology breakthroughs such as personal computers, industrial automation, and operating software systems. In short, what matters most is creating first-time users. It requires homogenization of expectations through framing, incentives, and development (Sheth and Mittal 1996).

3.3 Rethinking Marketing Policy
Historically, marketing policy has been compliance driven with respect to each of the four Ps. What marketing practices will have to change? Consider the four Ps:

• **Product**: Companies will have to consider more questions in the course of developing new products. Designers will have to consider the materials more carefully and their sources and carbon footprints. They will have to develop the packaging more carefully in terms of being biodegradable and disposable. Service firms that do not produce a physical product (e.g., professional firms, hospitals, colleges, airlines) have a chance to compete better by demonstrating their environmental concerns in their use of energy and physical supplies and to contribute to conservation causes.

• **Price**: Companies can create a menu of offerings that differ in their level of environmental friendliness and price them accordingly. Environmentally involved customers may be willing to pay more. Companies will also need to consider how their pricing will be affected by possible new regulations requiring them to cover more of the externality costs they create.

• **Place**: Companies will need to consider where to locate their production and distribution facilities. Environmentalists advocate more locally based production, which would call for more decentralized production. Marketers pursuing sustainability may want to rate the different potential distribution channels for their commitment to sustainable practices. Companies can make greater use of online selling of their products to reduce the amount of consumer driving to outlets.

• **Promotion**: Companies will need to consider how much to shift their promotion from print to online, based on the notion that print uses up paper, ink, and other resources. They will want to communicate their commitment to sustainability (i.e., being a good citizen) in more of their advertisements. Their product labeling might need to be more specific about the ingredients and their carbon footprints. Virtually all companies seek growth, but they need to put more emphasis on sustainable paths to growth.

3.4 Rethinking Marketing Practice
Marketing practice is partly driven by theory, partly by strategy, and partly by policy. Green marketing practice comprises with external and internal Ps. After integrating external and internal Ps, green success will automatically come through four Ss. Here external 7 Ps consists of Paying customers, Providers, Politicians, Pressure groups, Problems, Predictions and Partners; internal 7Ps consists of Products, Promotion, Price, Place, Providing information, Processes and Policies. After integrating external and internal 7Ps, we can find out the green successes through 4 Ss such as Satisfaction of stakeholder needs, Safety of products and processes, Social acceptability of the company and Sustainability of its activities.
Green marketing offers business bottom line incentives and top line growth possibilities. While modification of business or production processes may involve start-up costs, it will save money in the long term. For example, the cost of installing solar energy is an investment in future energy cost savings. Companies that develop new and improved products and services with environmental impacts in mind give themselves access to new markets, substantially increase profits and enjoy competitive advantages over those marketing non-environmentally responsible alternatives.

IV. NEW CONCEPT

From a marketing point of view, there is likely to be a ramping up of two marketing perspectives that will affect the quality of our future environment i.e. De-marketing and Social marketing. Some consumers have recently been labeled “LOHAS,” an acronym standing for “lifestyles of health and sustainability” (Environmental Leader 2009). One estimate placed 19% of the adults in the United States, or 41 million people, in the LOHAS or “cultural creatives” category. The market for LOHAS products is growing and encompasses organic foods, energy-efficient appliances and solar panels, alternative medicine, yoga tapes, and ecotourism. Taken together, these account for an estimated $209 billion market.

4.1 De-Marketing

We can define de-marketing as pursuing a marketing activity although another marketing activity that could have improved the product's market performance is available to the company. De-marketing is thus relative; it does not require companies to actively shun away customers. De-marketing can take many forms, such as choosing inconvenient locations, omitting useful product features, offering limited services, under stocking
inventory, reducing advertising intensity, or launching a product during the off season. De-marketing uses the same four Ps (product, price, place, and promotion) of marketing but in a reverse way. A vivid example is available from California communities that have faced a chronic water shortage. Local governments have had to adopt a de-marketing strategy to reduce industries and consumers’ water consumption. Today, there are more targets for demand reduction than there have been in the past.

Social marketing

It is defined as the theory and practice of marketing an idea, cause, or behavior (Kotler and Zaltman 1971). Social marketing has an almost 40-year history and many successes in influencing more positive awareness and behavior through campaigns such as “stop smoking,” “say no to drugs,” “exercise more,” and “eat healthier foods” (Kotler 2008). It is not to be confused with one P, promotion; it requires the full use of segmentation, targeting, and positioning and the four P’s (product, price, place, and promotion) to influence positive behavior.

V. FINAL THOUGHT

Now this is the right time to select —Green Marketing globally. It will come with drastic change in the world of business if all nations will make strict roles because green marketing is essential to save world from pollution. From the business point of view because a clever marketer is one who not only convinces the consumer, but also involves the consumer in marketing his product.

Whenever major changes occur in a society and we must decide what to do, recall Peter Drucker’s (1958, p. 252) view of the purpose of marketing: “Marketing is … the process through which economy is integrated into society to serve human needs.”

REFERENCE


