

GREEN MARKETING PRACTICE AND ITS EFFECT  
ON SMALL AND MEDIUM ENTERPRISES  
PERFORMANCE

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in my/our opinion that this thesis is adequate in terms of scope and quality which  
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Green Marketing Practice and Its Effect on Small and Medium Enterprises  
Performance

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The thesis is submitted in partial fulfilment of the requirements for the award of  
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## DECLARATION

“I admit that this report is the result of my own, except certain explanations and passages where every of it is cited with sources clearly.”

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## **DEDICATION**

I would like to dedicate the appreciation to beloved family members who supported me from spiritually and financially, supervisor and panel who guided me throughout the research, friends that assisted me through the journey of research.

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## ABSTRACT

Nowadays the movement of going green is getting popular as the world faces multitude environmental challenges. Hence, most of the firms have also started to implement green marketing in their business arena. Green marketing has been implemented to preserve of the natural environment while satisfying consumers' preferences. The adoption of green marketing strategies may bring about benefits and the firms are able to gain competitive advantage. Consequently, the firms can attain a better performance. Due to environmental sustainability problems, green marketing is not only applicable to large companies but also for small and medium companies. Despite of the growing importance of green marketing, this research aims to examine the effect of green marketing practice on the SMEs performance. The data were collected using questionnaires survey. There are 100 returned questionnaires received and data analysis was undertaken using SPSS software package version 20. The findings shows that SMEs are implementing various kinds of green marketing strategies and these strategies would offer a lot of benefits to the company. The adoption of green marketing is positively related to performance of SME firms and it plays an important role to enhance firms' performance.

## **ABSTRAK**

*Pada masa kini, pergerakan hijau menjadi semakin popular disebabkan oleh dunia menghadapi pelbagai cabaran alam sekitar. Oleh itu, kebanyakan syarikat telah mula melaksanakan pemasaran hijau dalam perniagaan mereka. Pemasaran hijau telah dilaksanakan untuk memelihara alam semula jadi sambil memenuhi keutamaan pengguna. Penggunaan strategi pemasaran hijau boleh membawa manfaat, pada masa yang sama firma mampu mendapatkan kelebihan kompetitif. Akibatnya, firma akan mendapat prestasi perniagaan yang lebih baik. Oleh kerana masalah kelestarian alam sekitar, pemasaran hijau bukan sahaja digunakan kepada syarikat-syarikat besar tetapi juga syarikat-syarikat kecil dan sederhana. Meskipun peningkatan kepentingan pemasaran hijau, kajian ini bertujuan untuk mengkaji kesan amalan pemasaran hijau ke arah prestasi bagi perusahaan kecil dan sederhana. Data telah dikumpul dengan menggunakan borang soal selidik. Terdapat 100 soal selidik dikembalikan dan data dijalankan dengan menggunakan SPSS pakej perisian versi 20. Hasil kajian menunjukkan bahawa perusahaan kecil dan sederhana melaksanakan pelbagai strategi pemasaran hijau dan ini akan menawarkan banyak manfaat kepada syarikat. Penggunaan pemasaran hijau adalah positif berkaitan dengan syarikat perusahaan kecil dan sederhana dan ia memainkan peranan yang penting untuk meningkatkan prestasi firma.*



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**LIST OF ABBRAVIATIONS**

%	=	Percentage
AMA	=	American Marketing Association
GGP	=	Government Green Procurement
KeTTHA	=	Ministry of Energy, Green Technology and Water
MGTC	=	Malaysian Green Technology Corporation
PSM	=	Projek Sarjana Muda
SMEs	=	Small and Medium Enterprises
SPSS	=	Statistical Package for Social Science



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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of Study

In the 21<sup>st</sup> century, the arise of ecological issues such as pollution, exploitation of natural resource, climate changes, etc. is getting to the global attention due to the negative impact to human activities. As the world faces a multitude of environmental challenges, the movement of going green is getting more prevalent since people are increasingly concern about the environmental issues. One of the most important aspects of ‘going green’ is green marketing. Green marketing in other term also referring to Environment, Ecological, or Sustainable marketing and its means the marketing efforts of firms which are considered not to harmful for environment (Neeraj Kumar & Maira, 2015).

Yoew and Rashad (2014) pointed out that the continuous growth of environmentalism which has dominated to the world has been raised up consumer awareness and concern with regards to environmental protection as well as great demand for green products. Hence, most of the firms have started to implement the green marketing and green product development strategies that can preserve of the natural environment while satisfying consumers’ preferences in order to make long term profits. Also, the emergence of green marketing concept is because of the organization interest in environment (Hashem & Al-rifai, 2011). Both marketers and consumers are becoming increasingly aware about the necessity to switch into green

products and services (Anirban, 2012). Therefore, the emergence of the green marketing is essential to the society for sustainability.

The term of green marketing came into prominence in the late 1980s and early 1990s (Ottman, 1998b). According to American Marketing Association (AMA, 2007), green marketing is the marketing of products that are presumed to be environmentally safe. Thus, organizations involved in green marketing integrate a board rage of activities to businesses, including product modification, transform in production process, packaging changes, also including the ways of varying advertising (Polonsky, 1994a). Shrikanth and Raju (2012) indicated that the phenomenon of green marketing has developed particular significance in the modern market, emerging in the developing and developed countries as a vital concept, and seen as an essential channel to assist sustainable development. Although green marketing trend might be common in the west countries, Asian countries have gradually acceptable and begun to receive its appearance (Asia's Media and Marketing Newspaper, 2008).

In Malaysia context, government has been making strong commitments toward environmental protection as well as to boost demand for green products and services in recent years. Government's aspiration in mainstreaming environmental considerations in its national agendas through the employed of Government Green Procurement (GGP) which aims to minimize the impact on the environment, accelerates the national economy development, and promotes sustainable (Kahlenborn, et. al., 2013).

Besides, government has engaged in various initiatives to encourage local manufacturers, producers and suppliers to produce green products and services which are more competitive in local and global market such as MyHIJAU programme. The effort has been focused in the field of SMEs. For instance, MyHIJAU Industry and SME programme implemented by Ministry of Energy, Green Technology and Water (KeTTHA) and Malaysian Green Technology Corporation (MGTC) in Malaysia intended to promote local entrepreneurs and enterprises that produce green products and services. It includes encouragement, guidance and advisory services, development of training modules and sessions, provision of government incentives

and financial assistance as well as increased local and international green marketing initiatives (Kahlenborn, et al., 2013). Undoubtedly, Malaysian SMEs from different industry also started to engage in green marketing in their businesses due to the government regulations.

Alongside with multinational corporations, SMEs play an important role in national development as they are building blocks of economic and social development. According to SME Corporation, SMEs are account for a large proportion of Malaysia economy which contributed as much as 97.3% of total business establishment in different sectors. They are the backbone of Malaysia economy and become important contributor to the nation development.

However, business are harnessing the environmental resources at accelerating pace and their activities such as manufacturing, procurement, logistic and marketing are imposing a very negative impact on the environment (Thakur and Gupta, 2012). This issue is happening mostly because of businesses which generated the majority of industrial waste. Thus, they have the ability to create a more environmentally friendly world with adopt green activities to their business or covert the traditional marketing trends to green marketing in current scenario. Apply green marketing to businesses not only for large companies but also for small and medium companies (Neeraj Kumar & Maira, 2015).

The adoption of green marketing requires certain investment and the initial implementation cost is higher. Yet, firms that deliver environmental friendly products and services can increase their market share, profit and can get competitive advantage over those who are not delivering environmental friendly products and services (Annop Kumar & Shreyanshu, 2015). It can be noted that green marketing practice are positively influence firm performance. Hence, green marketing has become an important component of most companies marketing process (Thakur & Gupta, 2012).

## 1.2 Problem Statement

Although business purposes encourage consumer satisfaction and earning good profit, but some activities can be detrimental to the environment. Consequently, firms should be more responsible for the environment and include green marketing as a part of their marketing strategy in order to achieve a competitive advantage and promote social image (Miles & Covin, 2000). The relationship between a firm and the natural environment is a vital source of competitive advantage (Menguc and Ozanne, 2005). As the traditional way of marketing has brought many forces, the adoption of green marketing is importance.

Green marketing has started to be a part of firm's business strategy. It has play a vital role and positively influence the brand value and company's success. There are various of green marketing strategies which comprising repositioning products without modifying product composition, changing existing products to be less harmful to the environment, changing production methods to reduce waste and modifying promotion channel that cause minimal impact to the environment. The marketers are focusing on different green marketing strategies which are beneficial to the environment, while it is considered an approach relevant to business performance.

From the responds of most organizations, implementing green marketing related to developing environmental safe products, recyclable and biodegradable packaging, better pollution controls and energy saving (Ogunmokun et. al, 2012). Ogunmokun et. al (2012) also indicates that green marketing strategies is an opportunity for organizations to pursuit sales and profits with a concern for environment and society. On the other hand, Ottman (1998b) proposed that green marketing strategies may bring a lot benefits such as increase market share and profitability, get better products and gain competitive advantage. Consequently, the firms can attain a better business performance. Anirban (2012) stated that the adoption of green marketing in the society may appear to be expensive in the short run, but in the long run it will definitely prove to be indispensable, advantageous and cost-wise.

This research will focus on the effect of green marketing practice on the performance of SMEs. In the context of small firm, considerable responses are witnessed for proactive environmental behaviour (Worthington and Patton, 2005) which represent some portion of their green marketing concept. The green marketing strategies adoption among the SMEs are largely driven by their obligation for regulatory compliance which resulted in the awareness of the commercial advantages of addressing environmental issues arising from their business activities (Clemens, 2006). Due to environmental sustainability problems, green marketing is not only applicable to large companies but also for small and medium companies (Neeraj Kumar & Maira, 2015).

Green marketing has drawn attention by the government and this has forced the firms to introduce environmental policies. Therefore, many firms have begun to implement green marketing in Malaysia and abroad. In recent years, Malaysian SMEs are considered gradually accepted the practice of green marketing in their business activities. The companies such as Myagri Group of Company and Maribumi Starhtech are among the top ten company offering green products and services in Malaysia (Top 10 of Malaysia, 2013).

Many of the studies have been done in developed countries indicated green marketing implementation does brought positive impact on firm performance. Polonsky (1994b) stated that most of the developed countries around the world such as United States have successfully implemented the green marketing concepts in the business arena. Despite the growing importance of green marketing, there are still very few research have been done in Malaysia to examine the effect of green marketing practice on business performance of SME. Carlson et al. (1993) proposed that development of knowledge about green marketing is very important because research indicates that a growing segment of consumers rewarded businesses that address environmental issues in their marketing practices and punish those that ignore or abuse environmental imperatives. Hence, the purpose of this study is to examine the effect of green marketing practice on SMEs performance. Besides that, the study will also aimed to identify what are the green marketing strategies practiced by SMEs as well as the benefits gained from green marketing adoption.

### **1.3 Research Questions**

- i. What are the types of green marketing strategies practiced by SMEs?
- ii. What are the benefits gained from the implementation of green marketing among SMEs?
- iii. What is the effect of green marketing strategy and benefits on SMEs performance?

### **1.4 Research Objectives**

The objectives that the researcher aims to conclude by doing this research are as follow:

- i. To explore the types of green marketing strategies practiced by SMEs.
- ii. To determine the benefits gained from the implementation of green marketing among SMEs.
- iii. To analyze the effect of green marketing strategy and benefits on SMEs performance.

### **1.5 Significant of Study**

In Malaysia, there is very little research done related to green marketing. The recognition of the influential of green marketing in small and medium business performance is important to provide a clear insight to the marketers about the role of green marketing. Also, this research may be a guideline for those SMEs owners/managers or marketers who willing to adopt green marketing on business arena. Since the green marketing agenda in Malaysia is at the infancy stage, this study able to furnish empirical evidence of green marketing practice on SMEs performance. Upon completion of the research, it is believed that the industry practitioners will be beneficial from this research as it expose the effect of green

marketing activities on firm performance, the various types of green marketing strategy that practiced by firms and, benefits will be gained from the adoption of green marketing. In addition, the academicians will be beneficial from the research as this research can be served as future reference.

## **1.6 Scope of Study**

The research is mainly focus on small and medium enterprises (SMEs) that has adopted green marketing in their business in Negeri Sembilan, Melaka and Kuala Lumpur. The targeted research respondents include all the SMEs from different industry in 3 states of Malaysia. These group respondents will be providing the primary data for this research.

## **1.7 Limitation of Study**

There are several limitations has been identified in this research paper. Firstly, this research is just focused on the SMEs in three states which are Negeri Sembilan Melaka, and Kuala Lumpur. Most of the SMEs in Malaysia are not accessed, thus, the data collected will occur insufficient. Therefore, the research still needs more empirical evidence to support in future studies. Next, the limitation would be the lack of cost or budgets and duration of time to conduct this research.

## **1.8 Summary**

In this chapter, the research is aim to examine the effect of green marketing activities on SMEs performance. Through the succinct description of background of study, the problem statement, research questions and research objectives are