

**FACTORS AFFECTING THE COMPANY USING GREEN MARKETING**

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## **APPROVAL**

I hereby declare that I have read this report and in my opinion this report is sufficient in term of scope and quality for the award of degree of Bachelor of Technology Management with Honours (High Technology Marketing).

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Faculty of Technology Management and Technopreneurship  
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## DECLARATION

I declare that this report entitled “Factors Affecting the Company Using Green Marketing” is the result of my own research except as cited in the references.

Signature : .....

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Date : .....

## **DEDICATION**

This report is dedicated to Dr. Ismi Rajiani, my parents and friends for inspiration, coaching and supporting me all the way.

## ACKNOWLEDGEMENT

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## ABSTRAK

Pemasaran hijau ialah proses penjualan produk dan / atau perkhidmatan berdasarkan faedah alam sekitar. Ini biasanya diterima pakai oleh syarikat di seluruh dunia. Syarikat-syarikat telah berubah untuk menggunakan pemasaran hijau untuk mempunyai kelebihan bersaing disebabkan permintaan pelanggan yang tinggi. Kajian ini bertujuan untuk membangunkan satu rangka kerja teori untuk mengkaji faktor-faktor yang memberi kesan kepada syarikat untuk menggunakan pemasaran hijau, khususnya di kawasan Melaka, Malaysia. Semua pemboleh ubah adalah kelebihan bersaing, tanggungjawab sosial korporat dan tekanan kompetitif. Seramai sasaran 100 borang soal selidik akan dianalisis dengan menggunakan analisis regresi berganda untuk menganalisis hubungan linear di antara pemboleh ubah bersandar dan pemboleh ubah bebas. Keputusan ini menunjukkan kelebihan bersaing dan tanggungjawab sosial korporat telah mempengaruhi syarikat secara positif untuk menggunakan pemasaran hijau manakala tekanan persaingan tidak mempunyai pengaruh.

## ABSTRACT

Green marketing is the process of selling products and/or services based on their environmental benefits. It is commonly adopted by firms around the world. Many firms have changed to use the green marketing in order to have a competitive advantage since the demand of customers is high. This research aims to develop a theoretical framework to examine the factors that affect the company using the green marketing, specifically in the area of Melaka, Malaysia. All the variables are competitive advantage, corporate social responsibilities and competitive pressure. A target total of 100 usable questionnaires will be analyzed by using multiple regression analysis to analyze linear relationship between dependent variable and independent variables. The results indicated that competitive advantage and corporate social responsibilities have positively influenced the company using the green marketing whereas competitive pressure does not influence.



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**LIST OF ABBREVIATIONS AND SYMBOLS**

UTeM	Universiti Teknikal Malaysia Melaka
CSR	Corporate Social Responsible
EPI	Environmental Performance Index
AMA	American Marketing Association

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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background

Green marketing is the marketing of products embodies a range of activities, including product modification, production process changes, packaging changes and advertising modifications that are presumed to be environmentally safe. (Kumar, 2013) Green marketing has been widely adopted by firms worldwide. They are starting to concern about environment since pollution increases and cause the global warming.

Malaysia EPI rankings also occur fluctuating within these 8 years. In year 2006 EPI, Malaysia is ranked at 9<sup>th</sup>, then dropped to 26<sup>th</sup> in year 2008, and increase one rank in year 2012, and in year 2014, it is dropped heavily, which rank at 51<sup>th</sup>. (Hawkins, 2014) The data had proved that Malaysia environment has been worse and worse compare to the past 8 years.

According to The Star, in March 2014, sewage pollution or fertilizer runoffs had caused the reservoirs to dry out in Selangor and Kuala Lumpur area. Furthermore, in Nov 5, there is the devastating floods and a mudslide swept away homes had been happening in Cameron Highlands, which caused by illegal land-clearing and land mismanagement. This has been shown that the country development activities have a significant effect of the nature of the environment.

Consumers are try to seek out the green product with high quality which can preserving environment and save the planet. Most of the company also provides products or services which are environmentally friendly in order to protect our planet. Additionally, marketing has been developed from marketing 1.0 to 3.0, which the first marketing 1.0 is concerned about product centric, whereas marketing 2.0 is concerned about consumer centric. Last, marketing 3.0 is concerned about human centric.

Many firms have changing to use the green marketing in order to have competitive advantage since the demand of customers is high. “Organizations like the Body Shop heavily promote the fact that they are environmentally responsible. While this behaviour is a competitive advantage, the firm was established specifically to offer consumers environmentally responsible alternatives to conventional cosmetic products.” (Kiran, 2012, p.19) In addition, the strong competitive pressure among firm has caused the industry decrease the environmental behaviour. Therefore, this research is conducted to determine the factors that affect the company should go for using the green marketing.

## **1.2 Problem Statement**

Green washing has resulted the organizational difficult to implement the green marketing strategy. “Green washing is the act of misleading consumers regarding the environmental practices of a company or the environmental benefits of a product or service.” (TerraChoice, 2013) Then, is the green marketing remains a key factor in order to gain competitive advantage for the company since the demand of green products and green services are high? Or is the corporate social responsibility initiatives in business can maximize the green marketing effort and increase the sales? Or the competitive pressure forces the company increase to use the green marketing? Such questions pose unanswered problems leading to the questions what is the main factor that affect the marketer using the green marketing?

### **1.3 Research Question**

In order to achieve the objectives, this research will try to answer the following research questions:

1. Does competitive advantage affect the company using the green marketing?
2. Does corporate social responsibilities affect the company using the green marketing?
3. Does competitive pressure affect the company using the green marketing?
4. What are the factors that significantly affect the company using the green marketing?

### **1.4 Research Objective**

The purpose of the report are:

1. To determine whether competitive advantage affect the company using the green marketing
2. To identify is the corporate social responsibilities affect the company using the green marketing
3. To find out is the competitive pressure affect the company using the green marketing
4. To justify is there significant factors affect the company using the green marketing

### **1.5 Scope**

This research paper will discuss the factors that affect the company using the green marketing as well as the most significant factors that affect the company using the green marketing. Respondents in this study only in Malacca.

## **1.6 Significant of Study**

In Malaysia, there is very little researcher done on this topic and this is a very new topic. Most of the findings are coming from the foreign country like Indonesia, India and United States.

## CHAPTER 2

### LITERATURE REVIEWS

#### 2.1 Introduction

This section explains some theories to determine what factor affecting the company using green marketing that are useful for the researcher in this research.

#### 2.2 Green Marketing

Green marketing defines as “the process of selling products and/or services based on their environmental benefits.” The product or service that consider as environment friendly which its produce or package in an environmentally friendly way. (Murthy, 2010)

According to American Marketing Association (AMA), green marketing is the design, produce, promote, package and reclaim products in order to save the environment and responsive to the ecological concerns.

Besides, Yazdanifard & Mercy (2011) point out that green marketing is a marketing strategy which can help companies survive in the market by green in all aspects of their business. It also can protect and safe the environment by the emergence of a new market which called green market.

## **2.3 Factor Affecting the Company Using the Green Marketing**

### **2.3.1 Competitive Advantage**

Competitive advantage can be defined as the diversity and abundance of characteristics or any dimension of a company that enables the director to create more value to customers than its competitors. It is measured relative to rivals in a given industry (Keegan & Green, 2013; Harsini, Esfahani, & Azad, 2015)

Berry (2015) has indicated that competitive advantage either comes from people or process and there are consist of two types of competitive advantage which are firm has lower cost of goods sold and better ability to differentiate its products and services than its competitors.

Competitive advantage often in intangible factors such as vision, knowledge and innovation. It is difficult to monetize due to it is driven by intangible factors. However, competitive advantage is an aggregate that consists of tangible resources and intangible capabilities in an interplay well suited to the particular competitive context. (McCarthy, Rouse, & Serban, 2015)

### **2.3.2 Corporate Social Responsible (CSR)**

There is no conclusive definition of CSR since different meanings to different people and organizations. CSR enters a gray area and represents an argument for corporate's economic interest (Werther & Chandler, 2010). Basically, CSR describes a company voluntarily and obligation to manage and protect the interests of all of its stakeholders. (Mullerat, 2010) In the business, CSR involves internal needs of employees and external needs of society in order for the improvement of employees, customers and the environment in which it operates. (John, Burbure, & Pansare, 2013)

Rahim (2013) claims that these major sources of CSR practices may divide into four major categories which are societal, environmental, economic and stakeholder approaches. The meaning of the three words: corporate, social and responsible has embedded in the four major categories. The word 'corporate' refers to business operation. 'Social' defines as all the company stakeholders. For the word 'Responsible' means the relationship between the society and business corporations which encompasses the innate responsible on both sides of this relationship.

### **2.3.3 Competitive Pressure**

According to Collins English Dictionary - Complete & Unabridged 10th Edition, competitive is involving rivalry which characterized by an urge to compete. For instance, a company sufficiently low in price to be successful against commercial rivals. Cambridge Advanced Learner's Dictionary & Thesaurus defines competitive involve competition such as prices or services and wanting more successful than others.

Recently, customers more aware and concern about the environment. This radical change of consumer preferences and lifestyles are made them prefer green products, even need to pay the extra price for it. The company has been facing many new challenges include competitive pressure for the shift of traditional marketing to green marketing. (Singh & Pandey, 2012)

For the market leaders who using a green marketing program not only can create significant competitive advantage, but it also faces competitive pressure to remove competitors out from the specific industry. Market leaders also enable to enhance their leadership position and market share in the long run. (Emmett & Sood, 2010) Green marketing also has been applied to niche companies such as Body Shop & Green & Black who have prompted their competitors follow suit. (Kumar, Chauhan, & Sharma, 2013)

### **2.3.4 Relationship between Competitive Advantage and Green Marketing**

Green marketing is one of the main factors affecting the company's business strategy to gain the competitive advantage over their competitors. They feel that green image will help companies gain competitive advantage and leads to sustain growth. Companies who participate using the green marketing will gain competitive advantage since, the market place enjoys the sustainable consumption and development. This is because people today are highly concerned about the environment and positive attitude toward green products. (Saxena & Khandelwal, 2010)

Crassous & Gassmann (2012) indicate that the competitive advantage of the company can be created by differentiating itself from others. It can differentiate by having an eco-label and green branding of green product. In addition, difference of eco-design based on the customers ethic and quality of product will give competitive advantage for the company. Consequently, Douglas, Douglas, & Davies (2010) claim that price, service and product quality also company to gain competitive advantage.

Leonidou et al. (2013) claim that green marketing strategy can help companies to obtain competitive advantage, achieve superior market and financial performance. A similar study is done by Hasan & Ali (2015), green marketing strategy is considered green innovation, green promotion, marketing mix comprises of product, price, promotion and distribution. However, this green marketing strategy will lead companies to gain competitive advantage, profit and encourage green pattern of consumers.

Rahmawati et al. (2014) have proven that environmental orientation can positively contribute to competitive advantage if they have implemented comprehensive green marketing mix strategy. Furthermore, the strategic and tactical level of marketing strategy can positively improve the company's competitive advantage. The environmental based competitive advantage will become a unique weapon to overcome their competitor.