

THE EFFECTS OF LIABILITY OF NEWNESS: THE CASE OF GREEN
MARKETING FIRMS IN MALACCA, MALAYSIA

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DECLARATION OF ORIGINAL WORK

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“I hereby declare that the work of this exercise is mine except for the quotations and summarises that have been duly acknowledged.”

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DEDICATION

This Research Paper is lovingly dedicated to my respective parents who have been my constant source of inspiration. They have given me the drive and discipline to tackle any task with enthusiasm and determination. Without their love and support this project would not have been made possible.

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Abstract

Green marketing is still new in our market. There are some people that do not know about the function of green marketing. Liability of newness is one of the issues that always happen to a new company of green marketing. There are some of the effects that can be got by a new company of green marketing when they are facing the liability of newness. Based on the research that the researcher has done, most of the respondents agree that liability of newness always happens to green marketing companies. There are three themes or effects that the researcher has chosen as the effects for liability of newness. The respondents also agree with all three themes. The qualitative method was chosen which survey, observation and interview will prove in the end of the study about how the liability of newness affected in green marketing. The researcher has chosen three respondents which are respondents X, Y and Z. All of them come from three different companies. Based on the interview session, all respondents are accepted with all the themes that the researcher has chosen. The most effect that has been said by the respondents from all three themes is failure rate high. For the limitation of this research, the researcher only focuses in green marketing industry and in Malacca. Besides, there are not enough journals that the researcher has used to find the other sources. In future research part, the researcher hopes she can do this research for the other industries. Besides, the researcher also can get more data if she can involve directly into the green marketing industry.

Keywords: Green Marketing, Liability of Newness

Abstrak

Pemasaran hijau masih baru di dalam pasaran kita. Ada sesetengah daripada kita yang tidak tahu fungsi sebenar pemasaran hijau. Liabiliti keabahruan merupakan salah satu isu yang biasa berlaku kepada syarikat baru pemasaran hijau. Terdapat beberapa kesan yang diperolehi oleh syarikat baru pemasaran hijau apabila menghadapi liabiliti keabahruan. Berdasarkan kajian yang telah penyelidik lakukan, kebanyakan responden bersetuju bahawa liabiliti keabahruan sering berlaku kepada syarikat pemasaran hijau. Terdapat tiga tema atau kesan yang telah dipilih oleh penyelidik sebagai kesan-kesan kepada liabiliti keabahruan. Responden juga bersetuju dengan ketiga-tiga tema. Kaedah kualitatif telah dipilih iaitu dengan melakukan pemerhatian dan temubual untuk membuktikan pada akhir kajian ini mengenai bagaimana liabiliti keabahruan memberi kesan dalam pemasaran hijau. Penyelidik telah memilih tiga orang responden yang terdiri daripada tiga buah syarikat yang berlainan. Berdasarkan sesi temubual, kesemua responden menerima semua tema yang telah dipilih oleh penyelidik. Kesan yang paling ketara yang telah disebut oleh responden daripada ketiga-tiga tema ialah tahap kegagalan tinggi. Untuk kekangan kajian ini, penyelidik hanya menumpukan dalam industri pemasaran hijau dan di Melaka. Selain itu, tidak banyak jurnal yang penyelidik guna untuk mencari sumber-sumber lain. Untuk bahagian kajian akan datang, penyelidik berharap agar kajian ini dapat dilakukan untuk industri lain. Tambahan itu, penyelidik juga akan dapat banyak data sekiranya penyelidik terlibat secara terus dalam industri pemasaran hijau.

Kata kunci: Pemasaran Hijau, Liabiliti Keabahruan

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LIST OF ABBREVIATIONS AND SYMBOLS

SYMBOLS	DESCRIPTIONS
LON	Liability of Newness
AMA	The American Marketing Association

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Chapter 1

1.1 Introduction

New organizations have hard life to keep and survive in the market. Become the new comer in the market have given a big burden that they have to carry and go through along the introduction stage for life cycle. This could be happen because of liability of newness. Liability of newness was a common phenomenon that happens in the market. This phenomenon has affected many organizations which are new entering into the market which was struggled to survive. This statement has been argues by Vincenzo Uli (2012); new born enterprises are more liable to struggle for survival phenomenon.

There are some reason that can be explained why the liability of newness could be happen in the organization. New organizations which are acting in new areas ask for new roles to be performed by their members. The learning of the new roles takes time and leads to economic inefficiencies (Stinchcombe [1965]). When the new company was starting their operation in new environment, they have to face the new roles and area also. It maybe takes some times to be surviving confidently in market. Second, Stinchcombe (1965) also said that trust among the organizational members has yet to be developed since in most cases the new employees of a firm do not know each other when the organization is founded. This reason was really common in our daily life. This phenomenon not only happens in the organisation but also in other situation around us. The percentage of trust has become low when we

are dealing with the new member in our life or organisation. New organizations have not yet built stable portfolios of clients (Stinchcombe [1965]). This is the third reason why the liability of newness could be happen in the organisation that has been stated by Stinchcombe.

Most of companies are having the difficulty of liability of newness in the world. Green marketing is the one company that also becomes one of the organizations that were facing the liability of newness. As we know, green marketing was still new in the market; people have to take a long time to adapt this industry. Because of they were new in the market, customer perception for this industry also not really good. Liability of newness has become their burden in their life course.

By doing research about this issue, we can know the effect of liability of newness that occurred in green marketing.

1.2 Background of the Study

In the research, background of the study has played an important role to researcher by given the points that have to research and study. In the background of study, researcher can explain about the theory that they want to give attention in the research. Same also happen to this research, for background of study, the researcher was explained about the liability of newness and also green marketing. This is because both points are the important points that involved in this research.

Stinchcombe have been introduced the term ‘Liability of Newness’ in 1965. The liability of newness is not a new phenomenon in the industry. New organizations have the higher potential to be facing the liability of newness. Besides, they also need to more compete and survive in the market rather than the old organizations. Most research and policy literature on organization failure assumes that new organizations are more likely to die than old organizations (Choi and Shepherd [2005]).

Moreover, there are some of new organization that only can survive and still alive in the market after facing the liability of newness. This phenomenon is strongly confirmed by data: only one third of newborn enterprises are still active after three years of life (Abatecola, [2012]).

Normally this phenomenon gives the bad effect for some organization. By having this problem the organization cannot growth very well and gives them some pressure to survive. Green marketing is one of the organizations that have been faced for liability of newness. Green marketing was new in the market. The liability of newness of green marketing have become the factor that made this organization cannot growth in market very well. Most people do not really understand the concept that has been carry on by green marketing. Maybe the meaning for green that made it do not attract for customer attention.

Basically concept of green marketing was nearly to the nature. It has made the business about using or operates by using nature. This liability of newness of green marketing has given some effect for the industry indeed. So this research wants to study the effect of liability of newness that can give impact for green marketing. In this research we can see that the liability of newness will be a factor that made green marketing cannot perform very well in the market.

However, the researcher has been realizing that green marketing was still new and fresh industry. Most of information about green marketing was hard to find it. Not only for green marketing, the information about the liability of newness also hard to find because this phenomenon not really many research have be made by the researcher. By doing this research, people outside that who want to start up their business in green marketing were known about what are the effects from liability of newness in green marketing industry.

1.3 Problem Statements/ Research Questions

Liability of newness is a phenomenon that always happens to the new organization that enters into the market. Normally, this problem occurs because of the factor of the life cycle of the organization. Many researcher have been stated that the new organization have the higher probability to facing the liability of newness. Green marketing are also include among the organization that facing this phenomenon. As we know, green marketing are still new in the market. Because of that, this organization has to take this burden. Normally, this organization do not know what the effect that they will get when they facing this problem. By doing this research we can know the effect of liability of newness in green marketing industry.

There are two research questions that the researcher has given attention to doing this research. The objectives of this research can be determined by these two research questions

- 1) What is the effect of liability of newness in context of green marketing firms in Malacca, Malaysia?
- 2) How the liability of newness can influences green marketing firms in the context of growth?

1.4 Research Objective

The objective of this research is function as reason we do it this study. Any research or study needs to have clear objective to make sure the result will be acceptance. Here have three objectives for this study which is:-

- 1) To identify the effect of liability of newness in context of green marketing firms in Malacca, Malaysia.
- 2) To determine the influence of liability of newness's impact to green marketing growth.

1.4 Scope and limitation of study

1.4.1 Scope

Basically, in this study, we separate in two scopes which are liability of newness and green marketing industry in Malaysia. Actually these two scopes were related. Liability of newness always occurs in the organization which was a new in the market. While green marketing as we know this industry is still new in the market even it has been introduced for a long time ago. Because of the newness of green marketing the customer perception have shown quite not really good for their existence. These two scopes was related when liability of newness have occur in the green marketing industry.

Most of the scope is about liability of newness and green marketing in Malaysian context. Element that we will touch is about the effect of liability of newness to green marketing.

1.4.2 Limitation

For this study, there are several of limitations that have been highlighted by the researcher. The first limitation is the researcher will limit into green marketing industry only. By doing the research that only focus on green marketing, the researcher cannot explore more to other organizations. So it will not open research to all organizations.

Besides, as we know green marketing is still new into market. Not many organization that doing the green marketing. It will give some pressure to me as a researcher to look up the journal or data for green marketing. Same also happen to the liability of newness. The researcher will have some difficulty to find the source

and information for liability of newness because not many research about this theory that has been made by the other researchers. Maybe the researcher will get a little information only for this theory.

1.5 Significant of the study

The importance of this study is to identify what the effect of liability of newness in green marketing. By doing the research about the effect of this phenomenon, we can know what actually green marketing can get and facing by the impact of liability of newness. As we know, liability of newness was a great phenomenon that can give the great impact to the organization. Normally, people think that this phenomenon looks really easy to handle and does not really care for this phenomenon. They also think that this problem cannot give the huge effect for the organization indeed. But, by doing this research, they can know what the effect that can get from liability of newness and the influences of it. Hopefully they can more understanding and beware for the future.

1.5 Summary

Basically, most of the study will explain about the effect of liability of newness in green marketing industry. Since the liability of newness is not really common theory that have been used in our daily life so the researcher need to look closer what actually this theory is all about. Besides, to get know about the green marketing also have to give more attention to made sure this study can be done successfully. The researcher will more specific this study to the green marketing industry only and doing this research to get some result about the effect from liability of newness.

Chapter 2

Literature Review

2.1 Introduction

Nowadays, there are a lot of new organizations that enter into Malaysia's market. Most of them are facing the liability of newness including for green marketing. Green marketing is the new organization that has been exists in the industry. People do not really care about the impact from the liability of newness because they do not take seriously about this problem. From this study we can know detail about the effect from liability of newness and hopefully we can help the new comer especially for green marketing industry to avoid this problem.

2.2 Liability of Newness

Liability of newness has founded by the researcher whose name Stinchcombe in 1965. The definition for liability of newness was the risks that have been facing by the new organization during their life course. Stinchcombe (1965) argues that start-ups suffer from the "liability of newness" and have a greater risk of failure than older organizations. The new organization has the higher probability to fail rather than the old organization. The risk for liability of newness a greater in the first years then it will decline according to the age of organization. In this light, new firms face a

variety of barriers they must overcome on their way to success, and these challenges pose serious threats to organizational success for young enterprises.

Further, Stinchcombe argues that new organizations of a new form are more likely to fail than new organizations with an established form. As time passes, structures stabilize and ties with environment become durable, causing death rates to fall for organizations with both common and innovative forms (Stinchcombe 1965). In management research, an organization's newness has been used to indicate the negative aspects of new organizations in addressing and responding to major management challenges of adaptation, which is supposed to create their high mortality risk. Most research and policy literature on organization failure assumes that new organizations are more likely to die than old organizations (Choi and Shepherd [2005]).

The liability of newness predicts that, although monotonically declining with age, failure rates are high in the first years of the organizations' life cycle and then decline as time passes by. (Stinchcombe [1965])

New organizations, especially new types of organizations generally involve new roles, which have to be learned; [...] The process of inventing new roles, the determination of their mutual relations and of structuring the field of rewards and sanctions so as to get the maximum performance, have high costs in time, conflict, and temporary inefficiency (Burke et al [2008])

New firms face a variety of barriers they must overcome on their way to success, and these challenges pose serious threats to organizational success for young enterprises. (Strodmskyte I et al [2012])

These are the statement about the liability of newness that has been explained by some researcher long time ago. It shows to us that, this phenomenon have been existing before this. As a new organization in the market, they have to play the new roles also. This phenomenon can give some effects for the new organization. The researcher wants to see the effect of liability of newness that has been face by green marketing. This concept is research that the researcher wants to focus more.

2.3 Green Marketing

Green marketing has been introduced on 1980's in Europe when specific products were identified as being harmful to the earth's atmosphere. The definition of green marketing was according to Banerjee (1999) "the implementation of marketing programmes directed at the environmentally conscious market segment". Peattie and Crane (2005) claims that despite the early development of green marketing actually made appearances, because of the consumers' growing interest in green product, increased awareness and willingness to pay for green features.

The American Marketing Association (AMA) have been defines green marketing as the marketing of products that are to be ensure environmentally safe. There are several activities that relate with green marketing such as product modification, changes to production processes, and packaging, advertising strategies and also increase awareness on compliance marketing between all organizations. But there are also definition from Business Dictionary which was defines green marketing as promotional activities. These activities have aimed at taking advantage of changing consumer attitude towards a brand. These changes are quietly increasingly after being influenced by a firm's policies and practices that affect the quality of the environment. Besides, it can also be seen as the promotion of environmentally safe or beneficial products. Mostly green marketing create the product or service that environmentally.

For example, around the world there are resorts that are beginning to promote themselves as "ecotourist" facilities, i.e., facilities that "specialize" in experiencing nature or operating in a fashion that minimizes their environmental impact (Troumbis 1991]).

Normally, when consumers have been forced to made decision between product attribute or helping the environment, the environment never wins because most consumer will not easily sacrifice their needs or desires just to care about environment (Yazdanifard1.R [2011]). As the case of the Ford Think, a two-seater electric car, demonstrates. Ford Motor Co. initially expected this car to be a great

product, but late in 2002 the company announced it was scrapping the vehicle. The Think, which required six hours of recharging after being driven for only 50 miles, would have required drastic changes in driving behaviour by its owners. The lesson is that regardless of their environmental benefits, electric-powered cars will remain a niche product at best until manufacturers can radically improve battery life and cost.

It show to us, even the green marketing are really good for environment but there are still some people does not care about the environment yet.

2.4 The effects of liability of newness

2.4.1 Failure rate high

Liability of newness was a phenomenon that always happens for the new organisation enters into the market. Without knowing what actually the effect that the new organisation can get when facing this phenomenon, they not really concern about that. Stinchcombe (1965) have been stated that failure rate high is one of the impact that new organisation will get when facing the liability of newness.

The liability of newness predicts that, although monotonically declining with age, failure rates are high in the first years of the organisation' lifecycle. (Abatecola.G et al [2012])

As we know, normally new organisations that enter into market have a low probability to be success in their life course. Not many of them can be success because most of them have the high of failure rate. It could be happen when they have to facing the liability of newness. The new organisations do not have a stable position to be maintaining in the new market. Besides, they also have low of trustiness from people around.

2.4.2 Low average quality

Low average quality is the one of the effect that comes from the liability of newness. This effect has been agreed by Stinchcombe, who have said that newborn generally suffer from the low average quality of performance because they initially lack of experience.

If they survive, their experience learning curve increases with time, thus fostering the development of significant survival determinants, such as the exploration and Stinchcombe's "liability of newness" (Abatecola.G, Cafferata.R & Poggesi.S [2012])

This statement was really true; because all of people absolutely know that the new organisation cannot have the high quality same like the old organisation. To having the high quality in their management, product and service, the new organisation has to become success in the market first. By gaining the customer's trust, they will increase their average quality also. Mostly, the average of quality will increase when there are many customers are participated and attracted in the company business or service.

2.4.3 Environmental Responsibility

Environmental responsibility is the next effect for liability of newness. As we know the companies that involve in green marketing have to take the risk for the environmental effect. Some of green marketing's company are really using the environment to run their business. The environment was really important in our life. By environment we and other living things are able to live healthy in the world.

All green marketing's companies have to prepare to handle and face with the environmental responsibility in the future. Mostly the companies can be sustaining for a long time in the market because of the effect that they have made for the environment (Abatecola.G, Cafferata.R & Poggesi.S [2012]).

For this statement, it have been stated that the one of the effect for liability of newness. Usually new green marketing's companies are using the high technology product to run their business. All the technology most probably comes from