INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

Contribution Of Green Marketing To Brand Loyalty

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Abstract

Green marketing has been around for more than 3 decades. It has bloomed in the 1980s, fell in the 1990s and then resuscitated in the 2000s. Many organizations had since integrated green marketing into their businesses. Many researches had been performed to relate green marketing with revenue. However, there are not many references on the contribution of green marketing's dimensions such as green design, green logistic, green pricing, green targeting and green positioning to brand loyalty. This research aimed to explore the relationship between dimensions of green marketing with brand loyalty.

Hypotheses and online questionnaires were form and constructed based on literature review. Online survey form were then developed and distributed through online media. The collected responses were then analysed using SmartPLS to examine and validate the hypotheses constructed. The analysis showed that green marketing dimensions of green pricing, green targeting and green positioning had no significant relationship to brand loyalty. Green marketing dimensions of green design and green logistic showed significant relationship to brand loyalty with green logistic being the most significant. Consumers were also shown to be prone to repeat their purchases just based on the product design while product logistics ensured consumers to stay with the product for a longer period.

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1.1 Research Background

1.1.1 Green Marketing Overview

In the late 1980s, the notion of green marketing was introduced and talk about in the business world for the first time and this denoted the initial phase of green marketing (Peattie and Crane, 2005). It is suggested that It is then followed by another two evolving phase of green marketing after the green marketing notion was initiated in the industry (Lee, 2008).

In the 1990s, marketers were facing the backlash, consumer concerns on the environment issues does not necessarily translate into purchasing green products and the consumers realized what was being preached by businesses regarding their green products might not be entirely true as claimed. In this decade green marketing went into its second phase (Wong et al., 1996). Green marketing transited into its third phase during progression into 2000s. With the advancement in agricultural technologies, chemical compound fertilisers and chemical compound insect repellent have significantly decreased. Tighter enforcement of deceiving claims by businesses, stricter government regulations, closer inspection of numerous non-governmental environmental organization and the influence of press media, green marketing has once again recaptured consumer confidence (Gurau and Ranchhod, 2005). In contrast, with global environment deterioration getting worse continuously over the years, consumers have also become more aware and concern of the environmental issues and green marketing is now a revived topic. Stafford (2003) has also concurred that green marketing has now re-emerged.

This shows that the green concept has been evolving globally for more than 30 years. Most of the products we used in our daily routine were harmful to the environment and some have created problems like pollution which destroys the

environment gradually. Awareness towards the importance of environmental concern needs to be created for the general public.

However most people only relate green marketing exclusively to the advertisement or campaign of the products that is equipped with environmental friendly features. Terminology such as "Recyclable", "Eco-friendly", "Organic" and "Biodegradable" are features often seen by consumer associating with green marketing. However, green marketing is not limited to these features only and is broader than that, in addition, green marketing covers and includes not only consumer products but as well as industrial products and services. For example, Green Data centre services provided to enterprise where the data centres' equipment is designed with maximized energy efficiency and minimize energy required for cooling. Hence, green marketing encompasses a wide range of activities, which include but not limited to product alteration, enhanced production process, packaging changes and advertising emphasis supporting the environment improvement change.

In spite of that, it is not as straight forward to define green marketing. The terminology used in this area has many variants. It can also be known as 'Green Marketing', 'Ecological Marketing', 'Sustainable Marketing' and 'Environmental Marketing'. Due to the lack of consistency, this caused confusion for researchers in evaluating green marketing as researchers are having a dissimilar view of what they are researching.

This research tries to identify the dimensions of green marketing through literature review to seek their relationship towards brand loyalty.

1.1.2 Brand Loyalty

Brand loyalty is an important factor to the success of businesses to retain their current customers in addition to win new potential customers (Lindgreen, 2004) and could be described as a strong and continuous decision made by customers to repurchase a particular brand (Dibb et al., 2005).

Brand loyalty is formed by four platform: conative loyalty, cognitive loyalty, action loyalty and affective loyalty, that denotes a strong commitment to re-purchase and frequent a specific brand, which makes customers re-purchase the same brand even though potential situations and marketing tactics might result in switching customers to other brands (Oliver, 1999).

Brand loyalty includes attitudinal and behavioural dimensions, and it is more recommended to measure brand loyalty through both dimensions since the behavioural dimension measures just the repetitive purchase of the same particular brand while attitudinal dimension assures the researcher that this continuous re-purchase behaviour is intentional, where intentionally includes a positive attitude towards that particular brand. This positive attitude shows that the repurchase behaviour is going to be continued in the future (Rundle-Thiele, 2005, Walsh et al., 2008)

1.2 Research Problem

Modern marketing needs to be environment oriented as environmental issues become an important component in the setting of a business marketing strategy. However few researchers have studied on the contribution of green marketing to the success of businesses. There aren't any relevant studies on the direct relationship between the dimensions of green marketing with brand loyalty in available online databases. However, literature reviews in similar topics or areas may support the research in this relationship were found as discussed in the following.

More and more consumers are willing to pay a premium price to buy green products although they cost higher compared to non-green products (D'Souza et al., 2007) and green packaging (green logistics) did not influence customer's perception (D'Souza et al., 2006). In investigating green marketing on the intention of consumer to purchase behaviour, Rahbar and Wahid (2011) found that consumers trust eco-branded products such as Body Shop and showed it

has a positive relationship with actual purchase behaviour. Manaktola and Jauhari (2007) research in the hotel industry also indicates that there is a significant relationship between consumer attitude and behaviour towards green practices. Yusof et al. (2011) also found that there is a positive relationship between green image of retailers to store loyalty, where the green image influence store loyalty but the relationship was then rejected by the same Yusof et al. (2012) in a later research. However both of these researches only use corporate social responsibilities to measure green image. Therefore this inconsistency indicates that there is a need to expand the dimensions of green marketing to better understand the contribution of dimensions of green marketing to brand loyalty.

Consequently the first objective of this research is to examine and determine the relationship between the dimensions of green marketing to brand loyalty to understand it better.

1.3 Research Questions

This research addresses the issues raised from the research problem statement, which are:

1. The contribution of the dimensions of green marketing to the brand loyalty.
2. Which dimension of green marketing contributed more when compared to other dimensions?

1.4 Research Objectives

Zikmund et al. (2012) identified research objectives as the goals to be realized by conduction research. This research will help conducting the contribution of dimensions of green marketing to brand loyalty in order to develop and reinforce

actions strategically to increase and maintain loyalty through the following research objectives in this research:

- To gauge awareness of consumers on green marketing.
- To examine the relationship between the green marketing and brand loyalty.
- To form a significant construct through the means of green design to brand loyalty.
- To form a significant construct through the means of green pricing to brand loyalty.
- To form a significant construct through the means of green logistics to brand loyalty.
- To form a significant construct through the means of green targeting to brand loyalty.
- To form a significant construct through the means of green positioning to brand loyalty.

1.5 Significance of the Study

There weren't any relevant literature on the direct relationship between the dimensions of green marketing and brand loyalty in available online journal databases. Therefore, there is a possibility that the findings of this research can be used as the precursor for future study on the contributing dimensions of green marketing to brand loyalty.

The insights into the contribution of green marketing in brand loyalty may help marketers identify to develop and reinforce actions that maintain loyalty.

1.6 Assumptions

This research assumed dimensions of green marketing would have an influential effect towards brand loyalty and that the respondents will be able to

provide unprejudiced answers representing their honest view on green marketing dimensions. It is also assumed that the survey results obtained can be generalized to reflect the research objectives accurately.

1.7 Research Limitation

The key limitations that will be faced in the research are the sample size. Malaysia has a population of 29,647,519 people (Statistics.gov.my, 2013). Based on the population size, a recommended sample size of 385 people is required with 95% confidence level and assumption of 50% response distribution (Raosoft, 2013). Due to the time factor, only 149 surveys was collected and the sample size might not accurately represent the actual population of the country.

The result of the unit of analysis may also be affected if incorrect information is provided by respondents.

The results from the survey could be more precise if longer duration of time being provided to get more respondents.

1.8 Scope of the Study

This study focuses on all levels of the Malaysian population who are consumer with purchasing power. Respondents are chosen based on the main purpose of this research, which is to gauge the perception of those respondents regarding green marketing activities towards brand loyalty.

1.9 Structure of Research

This research comprised of five chapters.