



Proceedings of GLOGIFT 09
November 12 – 14, 2009
National Institute of Industrial Engineering
Mumbai, India

GREEN MARKETING AS A STRATEGIC FLEXIBILITY OPTION: A COMPARATIVE SECTORAL INSIGHT

Rituparna Basu,
Research Scholar,
IIT Kharagpur

Soma Dey,
Research Scholar,
IIT Kharagpur

Abstract

The dynamism of the new competitive business environment calls for organizations to be proactive. The ever-changing environment makes it mandatory for organizations to be flexible in their mode of operations. Under such circumstances strategic flexibility emerges as an important prerequisite for firms to develop and maintain sustainable competitive advantage. Facing the information-rich customers of the modern era as marketers work to offer innovative products/ services the concerns over a sustainable environment becomes equally worthy of consideration. The result being widespread adoption of green marketing practices even outside the realm of the manufacturing sector.

This paper addresses the various measures of green marketing adopted by Reliance Retail and Taj Group of Hotels respectively. While the two sectors stand as mirror images of each other's offering basket, our discussion aims to compare and contrast their greening initiatives as a means to restore their respective competitive advantage. Thus the paper identifies that an integrated environmental strategy should not only help in competency development but also aid in maintaining relationship with the stakeholders. (168 words)

Keywords: *strategic flexibility, green marketing, competitive advantage, retail, hotel*

Introduction

Change has always been the constant order of the day. Business environment is no exception to this rule. Consequently the past decade has witnessed an increase of interest in strategic flexibility among entities in the business landscape which bestows a firm the ability to respond promptly to market opportunities and changing technology (Sanchez, 1995).

With the changed dynamics in the new competitive landscape firms face multiple discontinuities that often occur simultaneously and are often not easily predicted. Faced with unrelenting complexity firms must develop new strategies and new ways of organizing to deal with this exceedingly complicated landscape. It requires that they use the latest technology, continue to develop new technology, actively participate in global markets structure themselves to gain advantage in these

markets, develop and maintain strategic flexibility and build a long term vision that allows managers to balance short term performance with long term needs. The nature of the forces in the new competitive landscape requires a continuous rethinking of current strategic actions, organization structure, communication systems, corporate culture, asset deployment, investment strategies. This requires flexibility and the ability to balance stable and fluid states of the organization. Strategic flexibility then, is the capability of the firm to proact or responds quickly to changing competitive conditions and thereby develops and or maintains competitive advantage. Firms have to create innovative products and services of high quality and at low prices to satisfy increasingly informed customers with distinct needs. Thus managers are motivated to reduce the uncertainty by identifying new sources of competitive advantage (Hitt, Keats and DeMarie, 1998).

As the company moves beyond considering the impacts of particular products and services towards consideration of the impacts of the company as a whole, so it will need to think differently about the company and traditional organizational boundaries. This will involve the broadening perspectives to take into account the wider role of stakeholders in the development of more sustainable solutions (Charter, Peattie, Ottman and Polinsky, 2008). In the latter half of 1990s scholars moved beyond the original green marketing agenda and focused on the pursuit of environmentally based competitive advantage. It was widely believed that businesses have to become more environmentally and socially sensitive to remain competitive (Roberts, 1995; 1996a; 1996b). Environmental sustainability is not simply a matter of compliance or risk management. Business is increasingly recognizing the many competitive advantages and business opportunities to be gained from eco-sustainability and green marketing (www.epa.qld.gov.au/sustainable_industries, 2009).

The decade of 1990s began with evidently hopeful forecasts about the emergence of a “green tide” of consumers and new products. Green marketing on the other hand was more than saving the planet; it was more about saving the business at the producers end. Consumers seem to want them, government was equally persistent to threaten business environment with new laws and added regulations. As the green message became ubiquitous the only survival measure left for private enterprise was to adapt.

Green marketing was given prominence in the late 1980s and 1990s after the proceedings of the first workshop on Ecological marketing held in Austin, Texas (USA) in 1975. According to Peattie (2001) the evolution green marketing has three phases. First phase was termed as “Ecological” green marketing, and during this period all marketing activities were concerned to help problems and provide remedies for environmental problems. Second phase was “Environmental” green marketing and the focus shifted on clean technology that involved designing of innovative new products, which take care of pollution and waste issues. Third phase was “Sustainable” green marketing. It came into prominence in the late 1990s and early 2000 (Ganeshbala, 2009)

An Insight: Comparing Greening at Taj Group of Hotels and Reliance Retail Green Hospitality

Environmental sustainability offers great opportunity to the lodging industry since the innovation of niche products like limited service, extended stay, all-suite and focused service hotels and the greatest “perceived “ threat since the innovation of teleconferencing. But “going green” is more than a product innovation or even a new technology, although there will certainly be both associated with this latest shift in our industry. An hotelier today, who waits too long to act, will find his/her property considered antiquated by the market demand for green products and services and by government requirements for green certification (Scaggs and Hartman, 2008).

Now a niche trend within the hotel industry, Hotels require meticulous upkeep and cleanliness in order to keep up with guests’ concerns and demands. As a result cleaning and waste products, and their disposal have become a main issue as hotels try to participate in the green movement. Additionally, energy efficiency in the hotel industry can prove difficult because of safety concerns that management must address, including common areas and lobbies well-lit at all times. The hotel industry could benefit economically from the green movement, first by attracting guests who wish to adopt a greener lifestyle, as well as saving money through cost-saving energy practices and equipment adjustments. However, they must first understand the importance of greener practices on a wide scale, and understand how it is achieved, while meeting guest expectations and maintaining the same comfort level (www.OPPapers.com, 2009).

The recent movement can be explained by the concerted efforts of various players, including governments, hotel companies, developers, and investors, who realize the benefits of green developments. Hotel companies are now designing new brand features that are aligned with the perceived growing demand for green products. New brands offer a whole suite of environmental friendly hotel services although current market conditions are likely to slow their introduction into hotel industry. Hotel companies are increasingly encouraging environmental friendly practices and embracing sustainability through both developmental and operational strategies. With initiatives such as educational programmes, reforestation, eco-resorts, the implementation of energy-efficient practices, and the development of buildings that comply with government- defined standards, the “greening” of the industry is a trend that is here to stay. Hotel companies are being prompted by rising energy costs, government pressure, consumer expectations and competitive landscape to increasingly make sustainability a top priority. The hospitality industry has an array of regional certification programs and initiatives developed by governments and private hotel companies (www.ey.com, 2009).

Consumers want green. Beyond any cost, governmental or regulatory considerations, consumers increasingly are demanding green behavior from companies (Weissenberg, Redington and Kutyla, 2009)

10 areas in which lodging and travel operations could take action (www.ey.com, 2009)

Source: The World Travel & Tourism Council (WTTC) Green Globe Program

| | |
|---|--|
| Waste minimization , reuse, recycling | Transportation |
| Energy efficiency, conservation, management | Land-use , planning and management |
| Management of fresh water resources | Involvement of staff, customers, communities in environmental issues |
| Waste water management | Design for sustainability |
| Hazardous substances | Partnerships for sustainable development |

Green Initiatives at Taj Group of Hotels (www.tajhotels.com, 2009)

Company Profile

The Indian Hotels Company Limited (IHCL) and its subsidiaries are collectively known as Taj hotels Resorts and Places and is recognized as one of Asia's largest and finest hotel company. Incorporated by the founder of the Tata Group, Mr. Jamshedji N. Tata, the company opened its first property, the Taj Mahal Palace Hotel Bombay, in 1903.

In an endeavor to reinstate its vision and efforts to boost sustainable tourism and integrate environmental management in all business areas , Taj Hotels Resorts and Places presents EARTH (Environment Awareness and Renewal at Taj Hotels) , to commit to energy conservation and environmental management. EARTH has received certification from Green Globe, the only worldwide environmental certification program for travel and tourism.

Currently driven by Eco Taj Policy, Taj hotels map the best practices under EARTH and drive them across all areas of operations and new product development in the group. This also marks the Group's efforts in continuing to build and sustain awareness of discerning customers who are socially conscious. Taj Hotels has always believed in improving the equality of life of communities and has been committed to environment conservation. Caring for and protecting the environment is an essential part of corporate ethos.

Green Hospitality at Taj

An interview with the Director-Corporate Sustainability for Taj Group of hotels, Mr. Vasant Ayyappan, reveals that the greening endeavor has neither been an outcome of Governmental regulations nor to fight away competition; rather it has been an outcome of Taj's vision. However green marketing does add to its competitive advantage. Greening strategies has been received with a welcoming attitude by both the hoteliers as well as the guests, considering its cost-effectiveness. Pilot study reveals the guests have reacted positively to the EARTH program. Although Taj has not charged premium for its green services to date, yet guests are ready to pay extra for environmental protection and socially responsible products and services. However it has been disagreed by Mr. Ayyappan that guests need to pay a premium price to consume green services.

Under the EARTH Vision, there is sustainability policy for each hotel. Basically ten areas are addressed under this policy. They are:

- ◇ Energy conservation by way of efficient fuel usage and lighting conditions of the hotel.
- ◇ Management of fresh water resources.
- ◇ Land-use planning management which aims at protecting the hotel site land from degradation.
- ◇ Eco-system conservation so as to preserve the ecological balance, as a result of hotel operation.
- ◇ Air quality and noise control so that the % of oxygen inside the hotel is maintained at the desired level and the % of carbon dioxide is does not exceed a certain limit. The interior of the hotel is well protected from the ill-effects of external sound.
- ◇ Waste water management, including solid waste so that garbage is recycled or segregated into dry, wet garbage. They are then passed into bio-gas plants and that goes to the vermin-compost for plants.
- ◇ Storage of environmentally harmful substances like chemicals
- ◇ Management of social and cultural issues, whereby there is no discrimination on the basis of caste, creed, and sex while recruiting and there is maximum local employment.
- ◇ Control of greenhouse gas emission in which care is taken to see that the refrigerators and air-conditioners are without CFC.
- ◇ Green Globe Certification

Green marketing is often used to create corporate goodwill. Public Relations and publicity plays crucial role to communicate and influence the interest groups and regulatory agencies. Although it is an active endeavor yet a lot can be improved, as pointed out by Mr. Ayyappan.

Green Retailing

Undoubtedly green is proving to be the next emerging market that is not just confined to the pure manufacturing sector. The retail sector is equally turning green spread across its varied formats of grocery stores, clothing stores, vegan and organic restaurants or even pet stores in all terms ranging from its merchandise to operations. With the consumers increasingly demanding green practices throughout the entire retail supply chain, retailers are becoming increasingly conscious of where and how products are produced, to the amount of energy consumed during production and distribution, to the energy efficiency of retail outlets in which the goods are sold.

Green marketing in retail no longer simply concerns with environmentally friendly packaging. Major trends having recently emerged from this green push that influence retailers' adopted marketing strategies include the humane treatment of animals; sustainable agriculture; fair trade practices; organic and locally-grown and -sourced food; energy efficient equipment, transportation, and retail outlets. In the face of "going green" agenda, retailers support both transactions based and non-transaction

based marketing campaigns. Industry giant Wal-Mart, for example, has set a goal of reducing packaging across its supply chain by 5% by 2013 that translates into water and tree conservation, opened high efficiency Supercentres which consumes 20% less energy than the normal ones that in turn would limit its “carbon footprints”. Retailers' green initiatives are also impacting consumers at the retail level. New strategies promoting sustainability and a green focus include preferred parking for hybrid vehicles, as well as eco-friendly alternatives to the traditional plastic shopping bag. Greener solutions, such as biodegradable plastics made from plants (i.e. primarily corn), have entered the marketplace in recent years. Reusable cloth bags and collapsible plastic crates have also increased in popularity in place of plastic shopping bags, a trend likely borrowed from Europe where consumers have opted for such alternatives for years. Many retailers also offer shoppers small discounts on their bill if they do not opt for plastic shopping bags at checkout.

Greening Initiatives at Reliance Retail

Company Profile

Reliance Industries Limited (RIL) founded by Dhirubhai H. Ambani with its annual revenues in excess of US\$34 billion forms India's largest private sector enterprise with businesses in the energy and materials value chain. Reliance Retail Limited (RRL), a fully owned subsidiary of RIL was set up to lead Reliance Group's foray into organized retail. The group approved US\$750 million for the plan to build state-of-the-art retail infrastructure in India, which includes a multi-format store strategy of opening neighborhood convenience stores, hypermarkets, specialty and wholesale stores across India aimed at creating value at all levels and actively contributing to India's growth by ensuring better returns to Indian farmers, manufacturers, consumers.. RRL launched its first store in November 2006 through its convenience store format under the brand name of 'Reliance Fresh'.

Recognizing that strategic alliances are going to be a key driver to its retail business, in FY 2007-08, RRL established key joint ventures with international partners in apparel, optical and office products businesses. Since inception RRL sustained its rollout of stores across various verticals and formats and has rapidly grown to operate 590 stores across 13 states at the end of FY 2007-08. RRL launched its first 'Reliance Digital' store in April 2007 and its first and India's largest hypermarket 'Reliance Mart' in Ahmedabad in August 2007. 2008 saw the launch of its first few specialty stores for apparel (Reliance Trends), footwear (Reliance Footprints), jewellery (Reliance Jewels), books, music and other lifestyle products (Reliance Timeout), auto accessories and service format (Reliance Autozone) and also an initiative in the health and wellness business through 'Reliance Wellness'. In each of these store formats, RRL is offering a unique set of products and services at a value price point that has not been available so far to the Indian consumer. Overall, RRL is well positioned to rapidly expand its existing network of 590 stores which operate in 57 cities.

Environmental Commitment and Green Marketing At Reliance Retail

RIL's core philosophy of 'Growth is care for the environment' is reflected in the operations of Reliance retail. RRL from the very inception has maintained to follow growth by thinking beyond business where environmental protection is an integral part of the planning, design, construction, operation and its maintenance.

Apart from the usual environment friendly solutions like recycling of PET bottles, reuse of hazardous wastes, drive for being carbon neutral or water positive et al the company adapted various other green measures.

In this regard, categorizing the green marketing initiatives at RRL would help us draw a better image of the actions undertaken till date. The two broad classifications are operations based green marketing and merchandize based green marketing respectively. The various facets of operations based green marketing category included actions in areas like:

- Use of more energy efficient HVAC System
- Use of white or cool lights which emit less temperature and hence create less heating in the store hence also saving on the air-conditioning cost
- The fixtures are metal and MDF hence reducing the use of wood
- All in store instrumentation and cabling are compliant with green standards
- Switch over from Styrofoam / polythene to paper / corrugated sheets for packaging boxes
- Green logistics using CNG driven transportation instead of petrol driven ones

The merchandize based green marketing category involved offers in the form of:

- At the Reliance Digital stores the 4 Star Rated ACs are an integral part of the merchandise and will soon carry 5 Star ACs as well. In the Star rating methodology given by the Bureau of Energy Efficiency (BEE) the 5 star denotes highest energy efficient device. ACs below 1 star ratings are banned from the stores
- Apple Products which are collected in Trade-in are recycled by Apple
- All Refs use R-134A as a coolant which is CFC Free
- Most of the Flat Panels in the assortment are ROHS (Restriction of Hazardous Substances) compliant
- Stores selling food items have sections for organic merchandize

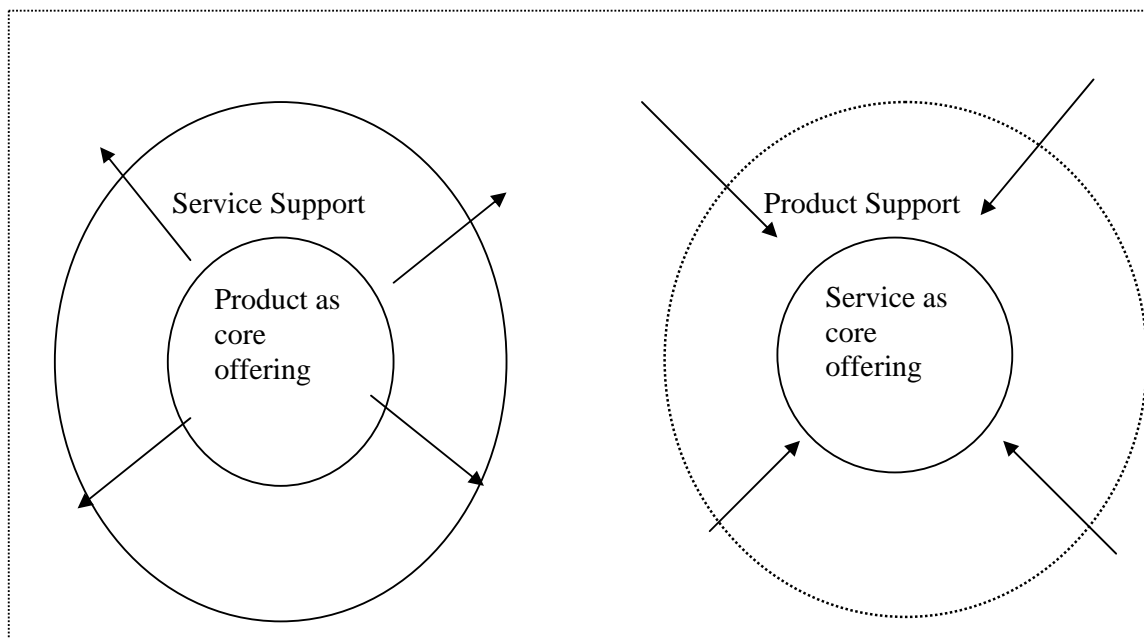
Lately, RRL has initiated some very unique green promotion which bore great results from the point of view of consumer awareness and their loyalty towards green products. To start with, the Reliance ResQ actively engages the customers to Go Green by informing them of the various methods they can follow to reduce energy consumption or increase efficiency of their appliances. The example of the 'AC – Sunshade' campaign is noteworthy, which informs the customers of the benefits of having a Sunshade on top of their Window AC. The most buzzing activity till date has been that of the Super Star Carnival. The program has been designed around introducing and spreading awareness around the star rating system meant for ecologically friendly electronic appliances. In addition it is meant to create loyalty around the star concepts where the prizes for the winners of Star Carnival were that of

a star car, star cruise, starship gold coin etc. Overall success and popularity of the program among the consuming masses was unmatched promising a lot more room for such green marketing initiatives in RRL' future agenda.

Comparison

From the view-point of marketing, although both retails and hotels fall under the purview of service sector, yet they differ in their perspectives of operations. Retail is the first point of customer contact with the manufacturer. The retailer serves the customer by creating time, space and ownership utilities. The product ranges that are shelved play a paramount role which is complimented by the additional services. On the other hand a hotel represents a home away from home for the guests. The service that is rendered is at the heart of the overall consumption experience. The significance of moment of truth is much more pronounced in hotels than in retails. The customers of retail visit the store for a very short period of time so the number of customer contacts in retails is much lower in retails than in hotels. For retail stores dealing with FMCG, the customers do not seek for constant attention, which might be so specialty stores. But for a hotel guest, there has to be constant attentiveness on part of the service- provider for creating and delivering a homely environment.

In retails, service comes as complimentary, whereas in hotels service is at the core and it is complimented with the elements of the physical evidences. Taking this into consideration a retail and a hotel can be considered as mirror images of each other. When we look from the green marketing perspective, a retail store undertakes green initiatives by merchandising in eco-friendly products. Whereas in case of hotels the elements of physical evidence namely the building the refrigerators, the lighting system etc are eco-friendly products.



Green Initiatives from core (Outwards) (Inwards)

Green Initiatives from periphery

Both the sectors have community feelings surpassing the governmental rules and regulations and have undertaken green initiatives. The organizations have not undertaken such endeavors to fight back competition so both the sectors equally understand that success of green marketing is more than just compliance marketing or green spinning. Public Relations and Publicity play a crucial role in mollifying the interest groups of both Reliance Retail as well as Taj Group of Hotels. For the Taj Group of Hotels the intangibility factor compels publicizing of corporate goodwill built on the terms of green marketing ; on the other relying more on the tangible green products shelved at Reliance Retail store, such goodwill need no publicity. However from the responses obtained from both the sectors risk management aspect of green marketing cannot be firmly concluded. Credibility of green in hospitality is difficult to establish than in retail because of the intangibility factor. Direct benefit obtained from the green product is pronounced in retail sector than in the hospitality sector. For instance in case of hotels guest does not get the benefit of power saving from the green lighting system or refrigerators and air-conditioners , making these products low-involvement ones. On the other hand the same items are of high-involvement because personal usage makes the benefits of green products much more pronounced. Dissimilarity is marked as to how the management of the two sectors can charge a premium price. Green products in retails being associated with high level of involvement can charge a premium whereas the same is doubtful in case of hotels. Thus in case of retails green products is always in demand thereby boosting up sales whereas in case of hotels no such phenomenon can be established. The hospitality sectors carries out green marketing from its operational aspect – by way of waste management, recycling etc thus leading to overall cost-effectiveness ; the retail sector carrying out green marketing with the help of the products sold do not feel the impact from costing viewpoint. Consumers have become aware of the fact that environment is being put to danger because of the lifestyle of the modern times. They are conscious of the fact that if proper steps are not undertaken to conserve the resources or protect the environment, the hazards will be felt in the near future. This awareness has stirred the willingness amongst them to spend extra money for the long term benefits- so be it for a short stay at hotels or the products used in daily lives they are willing to pay a premium price for green products. Since green is still an emerging issue so it still remains as the top management vision to enhance corporate social responsibility.

Conclusion

Considering the various similarities and dissimilarities existing among the two sectors, we establish the two sectors as mirror images of each other. While the two sectors stand facing each other, it is quite interesting to explore the similarities and differences in the green marketing strategies and outcomes. This was compelling enough to conduct a study around the two Indian giants representing the two respective sectors.

Green marketing still has along way to go. Success of green marketing will be defined in terms of the proactiveness of the marketers to teach customers about the contributions and advantages of green products. This proactiveness should not be restricted to the publicity and PR, rather a more aggressive endeavor has to be undertaken from a more holistic approach, both internally and externally. As has been pointed out by Mr. Vasant Ayyappan that a lot can be done to communicate the green

programs to the stakeholders, consumers should be left with no dilemma about the green initiatives undertaken. Companies must ensure that there is “greenwashing” i.e. claims of green practices without actually implementing them to the extent that they are claimed. Deloitte Consumer Survey in April 2008, of 1000 respondents revealed a considerable unease about “greenwashing”. About 43% of the respondents are skeptical about the green statements that are made by the hospitality industry. The validity of green statements is questioned. 71% of the respondents have considered the hospitality sector to be “somewhat green” and a mere 1% have considered it to be “extremely green” Another survey commissioned by Deloitte and conducted by an independent research firm in April 2009, amongst a sample of 1047 adult consumers, reveal that 29% of the respondents said that they would like to know more about the green initiatives undertaken by hotels. In case of retail, survey results of green marketing from Business Peers in 2009, indicate that out of 42 respondents only 50% said that their company’s green initiatives are to be communicated. Thus it can be concluded that green marketing cannot evolve solely around the green offerings or the communication approaches undertaken. The doubts existing in the minds of the customers need to be eradicated, the awareness level of both marketers and customers have to be enhanced. The marketers should adopt a green strategy that has greater and deeper implications and the customers should be prompt about their expectations of the green approaches. Rather than looking into it in a segregated manner, the green program has to have holistic approach whereby the initiatives are undertaken after considering the expectations of the customers and keeping in mind the limitations of the marketers.

Although the importance of eco sustainability is unquestionable for both marketers and customers, yet the awareness around the concept is still undergoing an introductory phase. As green initiatives mature and consumers demand more green products, companies that integrate green programs across all their business activities, will have a higher potential to achieve green marketing as a competitive advantage. In due course of time green practices will become a baseline requirement for doing businesses. Those companies with business models revolving around green marketing will have the highest opportunities of achieving sustainable competitive advantage.

Note

The sections on the case studies have been developed with useful information and suggestion of managers at Taj and Reliance Retail.

References

“Commentary: Going green”, <http://www.allbusiness.com>, accessed on 19th march 2009s

“Going Green: The Future of the Retail Food Industry”, <http://www.ats.agr.gc.ca/us/4351>, accessed on 19th March 2009.

“Top 10 Thoughts for Hospitality Industry”, <http://www.ey.com>, accessed on 25th March 2009.

Charter, M., Peattie, K., Ottman, J. and Polonsky, M. (2008). “Marketing and Sustainability”. <Http://www.cfsd.org.uk> accessed on 15th March 2009.

- Ganeshbala (2009). "Green Marketing – New Hopes and Challenges".
- Hitt, M.A., Keats, B. W. and DeMarie, S. (1998) "Navigating in the New Competitive Landscape: Building Strategic Flexibility and Competitive Advantage in the 21st Century". *Academy of Management Executive*, Volume 12, No. 4
- "Hospitality Going Green". *Global Hospitality Insight*. <http://www.ey.com>, accessed on 10th April 2009
- Peattie, K. (2001). "Towards Sustainability: The Third Age of Green Marketing". *The Marketing Review*, Volume 2, pp 129- 146
- Roberts, J.A. (1995), "Profiling Levels of Socially Responsible Consumer Behavior: A Cluster Analytic Approach and Its Implications for Marketing". *Journal of Marketing Theory and Practice*, Fall, pp 97-117
- Roberts, J.A. (1996a). Will the Real Social Responsible Consumer Please Step Forward?" *Business Horizons*, January-February, pp 79-83
- Roberts, J.A. (1996b). "Green Consumers in the 1990s: Profile and Implications for Advertising". *Journal of Business Research*, Volume 36, pp 217-231
- Sanchez, R. (1995), "Strategic Flexibility in Product Competition". *Strategic Management Journal*, Volume 16, pp 135- 159
- Scaggs, J. and Hartman,G. (2008). "Green is the New Gold in Lodging". <http://www.hvs.com>, accessed on 25th March 2009.
- Straughan, R.D. and Roberts, J.A. (1999). "Environmental Segmentation Alternatives: A Look at Green Consumer Behavior in the New Millennium". *Journal of Consumer Marketing*, Volume 16, pp 558-575.
- "Top 10 Thoughts for Hospitality Industry", <http://www.ey.com>, accessed on 25th March 2009
- <http://www.delloite.com>, accessed on 15th June, 2009
- [http:// www.epa.qld.gov.au/sustainable_industries](http://www.epa.qld.gov.au/sustainable_industries) accessed on 25th March 2009.
- [http:// www. itaccumens.com](http://www.itaccumens.com), accessed on 10th March 2009.
- <http://www.OPPapers.com> accessed on 9th May 2009