

ECO-MARKETING & ECO-LABELING: A STUDY ON CONSUMER AWARENESS FOR ECO PRODUCTS IN CHENNAI

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Abstract: This paper deals with the issues of ecological labeling and eco marketing to ensure that consumers have access to ecological products and have strong loyalty towards environmentally friendly business practices. In the current scenario eco-marketing become a competitive prerogative for best performances in the international market. A survey in Tamilnadu aimed at establishing, whether customers are loyal to eco-products and identify the extent of understanding of eco marketing and eco labeling.

Keyword: Eco-products, Eco-marketing, Eco-labeling, Customer loyalty, Govt. policy.

INTRODUCTION:

Green marketing came into prominence in the late 1980's and early 1990's, it was first discussed much earlier. The American Marketing Association (AMA) held the first workshop on "Ecological Marketing" in 1975. The AMA workshop attempted to bring together academics, practitioners and public policy makers to examine marketing's impact on the environment. At this workshop ecological marketing was defined as the "the study of the positive & negative aspects of marketing activities on pollution, energy depletion & non-energy resource depletion".

In simple, Green marketing facilitate to satisfy human needs & wants with minimal detrimental impact on natural environment.

Green marketing is not a simple task where several meanings intersect & contradict each other. Other similar terms used are environmental marketing & ecological marketing. Green, Environmental & eco marketing are part of the new marketing approaches which do not just refocus, adjust or enhance existing marketing thinking & practice, but seek to challenge those approaches & provide a substantially different perspective. The popularity of such marketing approaches & its effectiveness is hotly debated. Supporters say that environmental appeals are growing in number, now appears on different companies' models in different products from washing machines, light bulbs to sky scrapers and homes. Some of the customers feel that environmental products don't work and there rises a question regarding customer loyalty. This paper deals with the issues of eco-label and eco-marketing to ensure that customers have strong loyalty towards environmentally friendly business practices. In current scenario eco-marketing become a competitive factor for best performances in the international markets. The objective of this paper is (i) to discuss advantages and disadvantages of different kinds of eco labels (ii) To study the customer awareness towards eco-products (iii) To know the

effectiveness of eco-marketing & its impact towards customers purchase decision (iv) To identify the most influenced factors for customer loyalty towards eco products (v) To identify the extent of the understanding of eco marketing and eco labeling.

ECOLOGICAL MARKETING:

Developed in the 1990s, a marketing approach to highlights products and production methods that improve environmental performance, further ecological causes, or solve environmental problems. Marketing products and services on these effects is growing but not all environmental claims are accurate. Some may be examples of green washing. Commonly referred to claims include 'nontoxic' and 'bio-degradable'. Ecological marketing offers business bottom line incentives and top line growth possibilities. Companies that develop new and improved products and services with environmental impacts in mind give themselves access to new markets, substantially increase profits and enjoy competitive advantages over those marketing non-environmentally responsible alternatives.

Example:

i) In India, Maruthi Udhog has launched eco-friendly cars in the popular small car segment, euro II series conforming to emission norms laid down by government of India under motor vehicles act.

ii) The cosmetics companies in India have started using the packaging to target environmentally concerned. e.g. shampoos packed in bottles that are bio degradable.

ECO-LABELING

An eco-label is a logo that identifies a product or company that has met an environmentally preferable standard. It is not always obvious what an Eco label means and there are lots of different standards with varying levels of quality control around the world.

Typically, a company applies to an eco-labeling

organization for the rights to use its label on their products and in order to gain their certification, the company and product must continually confirm to the required standards of the organization. Hence, eco labeling is only are the types of environmental labeling and refers specifically to the provision of information to consumers about the relative environmental quality of a product.

Three types of environmental performance labeling -ISO Definition

Type I A Voluntary, multiple- criteria based, third party program that awards a license which authorizes the use of environmental labels on products indicating over all environmental prefer ability of a product within a product category based on life cycle considerations.

Type II Informating environmental self – declaration claims.

Type III Voluntary programs that provide quantified environmental data of products, under pre-set categories of parameters set by a qualified third party and based on life cycle assessment and verified by that or another qualified third party.

ECO LABELS IN INDIA:

2011 IIM – Ahmadabad comes up with India's first eco label

The green signal which certifies environmental references adopted during the manufacturing of the product or services. Are consumers aware about eco labels?

No of labels mentioned by respondents

No of labels	North	Central	South
Less than 20 labels	17	10	3
20-40 labels	10	9	5
40-60 labels	9	8	7
60-80 labels	8	9	10
80-100 labels	4	6	10
Above 100	2	8	15
Total	50	50	50

The Eco labeling of eco-friendly products has been introduced in a number of developed countries. Developing countries like India also introduced the scheme. But consumers, as well as manufacturers, have to be educated in the long term benefits of this scheme.

Today there are more than 200 “eco labels” available on supermarket shelves. So many labels in the market place is likely causing consumer confusion.

What a label means? and
The criteria behind it... are not clear

Cost of certification is very costly therefore food producers too may also be shying away from such labels.

Criteria for eco labels

It is based on the “cradle- to- grave” approach, i.e. the life cycle analysis of the product.

- Production of raw materials
- Production of the end products
- Packaging and transport of raw material and finished products
- Use of the product by consumers
- Disposal of the product

Green strategies

- Product oriented towards occupant health
- New technology for handling waste and air pollution
- Provide truly naturals products

TQM for the environment

TQM was developed at the same as the interest in environmental issues began to emerge and , it has built in the same concepts as those regarding issues relevant to the environment.

TQEM (Total Quality Environmental Manage ment), clearly reflects its genesis and the existing parallelism between quality and environmental problems.

In the vision of a TQM- oriented company in which , by striving for continuous improvement, quality is deployed to everybody, the environmental program is demonstrated by the fact that it is not necessary to convince anyone of the need to operate in the “greener” manner.

Green companies

- Use natural gas for boiler fuel
- Recycle biodegradable waste
- Minimum use of plastic material, use recyclable packaging materials
- Use biomass and solar radiation as sources of renewable energy
- Generate electricity from hydroelectric plants

Greenest companies in India

Oil and natural gas company (ONGC) is number 1 greenest company followed by reliance industries; BPCL, Castrol India and HPCL are other companies in this sector that were rated as green companies. The private sector companies were in majority in the list of top 20 greenest companies' in India. Some of the other green companies in India are: Johnson & Johnson Ltd, IBM, LG electronics, PNB, Tata motors and Hero Honda Motors.

Companies legitimate role in providing natural products

The role of companies in society is on the boardroom agenda. The companies need to continuously invest in its relationship with society and to account for its use of natural resources. CEOs and Boards need to explicitly manage corporate behavior and their company's social and environmental foot print in order to build public confidence and trust. This is the challenge of what is often called corporate social responsibility, an inadequate description of the social and the environmental responsibilities that go to the heart of the debate on the role of business in society. The environmental /ecological agenda requires a similar depth and consistency of board attention, since it will be impacted by corporate growth strategies. Economic growth of the magnitude envisaged above will undoubtedly place further

stress on the environment and on access to natural resources.

Example: Dabur- Indian Company dedicated to the health and well-being of every house hold. One of their principles is treating people as most important asset. They have superior understanding of consumer needs and developed natural products to fulfill their better. Dabur has mastered the art of producing ayurvedic preparations, blending traditional knowledge of drug manufacturing with scientific updates. They concentrate on ethical products. They have more than 350 shashiya ayurvedic preparations.

Dabur in the news - Dabur launches fruit based drinking yoghurt

Source: financial express –Gujarat, 28/5/2013

The Eco Entrepreneur

There is a new bottom line for business. Besides measuring financial success companies are increasingly taking account of environmental and social performance-the so called “triple bottom line”. Entrepreneurs with a keen business sense and a desire to make the world a better place will reap the rewards.

In response to environmental and regulatory pressures entrepreneurs /companies need to:
Follow trends in regulations and standards
Becoming familiar with international environmental agreements. Technologies developed to comply with the agreements will focus as eco- efficiency, pollution prevention and sustainability.

Eco labeling

Eco labeling is a voluntary method of environmental performance certification and labeling that is practiced around the world

General principles of eco labeling based as ISO 14020, include

Information provided through eco labels should give relevant, accurate and understandable environmental aspects of products

Procedure and requirements should not create unnecessary barriers to trade.

Scientific methodology that is verifiable should be used to support the claims.

Information concerning procedure , methodology and criteria should be made available to all interested parties

All relevant aspects of products life cycle should be taken into account.

Eco labeling should not prohibit innovation / potential to improve environmental performance.

National and international labels are introduced by the government of various countries. These eco labels are of special significance to manufacturers as they provide an opportunity to enter a new market value and / or to address a certain market niche.

Eco labeling objectives

Eco labeling has become a useful tool for governments in encouraging sound environmental practices, and for businessman in identifying and establishing markets

Protecting the environment.

Encouraging environmentally sound innovation and leadership

Building consumer awareness for environmental issues

Steps for eco labeling

Selection and determination of product categories

Development and adoption of appropriate criteria , standards/ guidelines

Certification and licensing.

Benefits of eco labeling

1. Environmental benefits

Recycling and reduction of materials

Use of less toxic substances

Substitution for environmentally preferable materials

2. Industrial benefits

Green public image

Valuable tool to communicate environmental benefits of products

Safer way to make environmental claims

Companies to differentiate themselves from competitors

Benchmarks for industry and supports improved performance

Reward for innovation and leadership in the market place

Industry can directly apply for eco labeling

3. Consumer benefits

Guidance in decision making when buying a product/ services

Eco labels provide a new source of information

Simple package but comprehensive coverage

It empowers consumers

It serves as a driver for sustainable consumption

Consumer participation in eco label program

4. Government benefits

Green procurement

Provides an effective, efficient and easy to use tool for procurement programs

Challenges post by eco labeling program

1. Methodology

The failure of the methodology in both criteria settings and conformity assessment. The reduction and avoidance of environmental damage which occurs at the production stage are left to legislative and regulatory measures. Therefore the programme has been criticized for focusing on only a few isolated environmental impacts that usually occur during the use stage but ignore the environmental burdens associated with the production process.

2. Transparency

Sometimes, there is a lack of transparency and opportunities for participation in the development of product standards such as bodies that might play a role in assessments of sustainability.

3. Financial costs

The financial cost of eco labeling could also be quite high. Next the high cost of certification. Another one is Genetically Modified Organisms (GMO) labeling. This technology needed to test for GMOs in food products is very expensive

4. Institutional constraints

Without the support of the government many private industries may not become sufficiently organized to independently institute effective management programs and achieve certifiable status

TYPES OF ECO LABELING SCHEMES

Eco labeling schemes can be classified into three categories: Mandatory government sponsored voluntary government sponsored and voluntary privately sponsored.

1. Mandatory Government – Sponsored Scheme

Mandatory government –sponsored eco labeling schemes require that certain products sold within the country bear labels providing specified environmental information about the product to consumers.

2. Voluntary government –sponsored schemes

Under such schemes, the government will award the right to bear labels to products that have certain positive environmental characteristics.

3. Voluntary privately –sponsored schemes

Voluntary eco labeling programs may be administered by private entities as well as by governmental entities. Private programs include self-declaration claims and independent third –party claims.

RECYCLING LABELS

Recycling focuses on setting up processes to enhance production, reduce waste, reclaim resources, protect the environment, and benefit the public. Corporate product responsibility often includes designing products to be recyclable.

Organic labels

Organic labels show how much of the ingredients in a product are organic. Different products may have different labels. Products that are purely organic are marked “100% organic” others may have different labels like “organic” made with organic ingredients” or “contains” organic ingredients”.

Development of organic farming

Organic farming is increasing around the world. Most countries are moving towards organically produced food. It protects people's health and our planet. Conventional farming has produced food, but it has also lowered soil fertility. Conventional farming has turned acres of productive land into waste land.

Benefits of organic farming

Organic farming does not cause harmful chemicals to enter

the food chain.

Organic farming preserves natural areas ,like wetlands
Organic farming enriches the soil.

Organic living

Organic living is a healthy way of life it means eating foods and using items that are pure and free from chemicals. It means living in a poison free environment.

Organic food

Organic food is grown in naturally enriched soil. Farmers must not have used any chemicals on that soil for at least 3 years.

Factors affecting consumers' loyalty towards ecological products

1. Health status
2. Price
3. Eco- marketing actions – advertising
4. Information and education

ANALYSIS AND INTERPRETATION

Methodology
Sampling Design

The present study was conducted to know the awareness levels of consumers on Green marketing and Eco-labeling. This study was conducted in Chennai city. Chennai city has a huge population with diversified cultures, wide social and economic classes and highly sophisticated life styles.

Collection of data

For collection of primary data from respondents separate well structured interview schedule was prepared based on the objective of the study. The data collected from the customers included particulars like gender, age, education, employment.

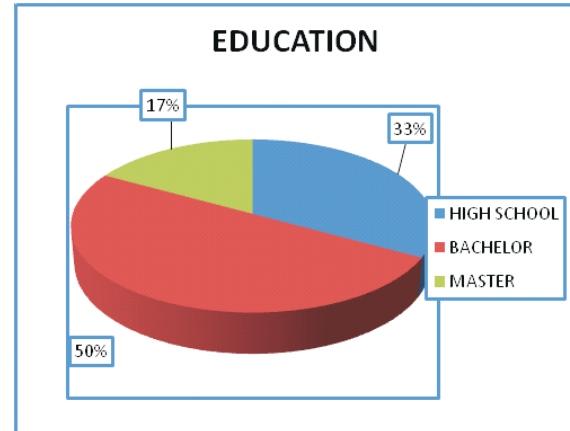
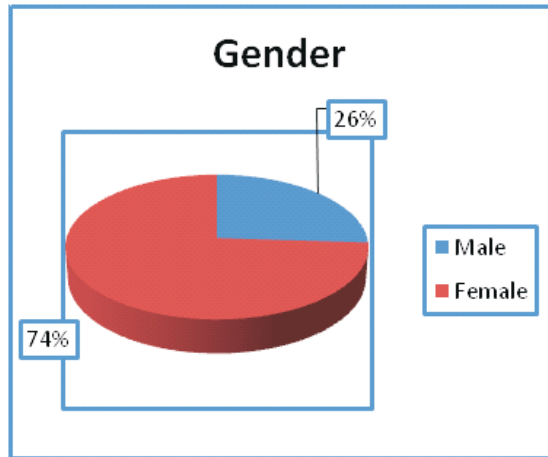
Tools of analysis

1. Percentage analysis
2. Chi-square Test
3. Garette Ranking method

GENDER OF RESPONDENTS

The study has included both males as well females though the proportion of female consumers is less than that of male consumers. The less participation of females in the study is an indication that women are less exposed to eco labels.

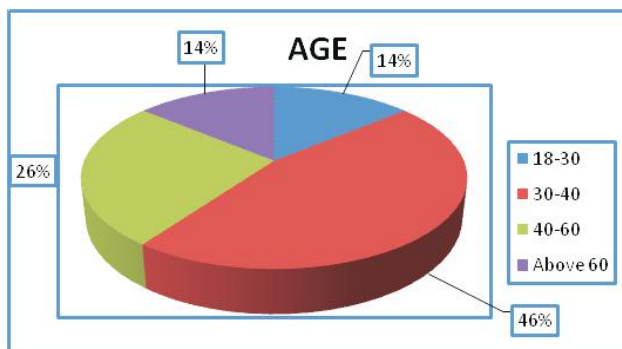
S.NO	Gender	Frequency	Percent
1.	Male	40	26
2.	Female	110	74
	Total	150	100



AGE

The age of consumers was divided in 4 categories. These were labeled as 18-30, 30-40, 40-60 and more than 60 years. The maximum frequency was in the 30-40 years age group.

S.NO	Age	Frequency	Percent
1.	18-30	20	14
2.	30-40	70	46
3.	40-60	40	26
4.	Above 60	20	14
	Total	150	100



EDUCATION

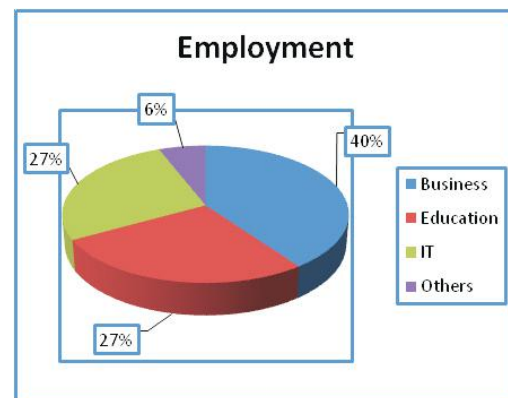
Nearly half of the consumers were having a bachelor degree. Also, a decent proportion of consumers had studied till the bachelor degree only. This is an important observation because this lack of education can be a driver of a lot of behavioral bias.

S.NO	Education	Frequency	Percent
1.	High school	50	33
2.	Bachelor	75	50
3.	Master	25	17
	Total	150	100

EMPLOYMENT

The population is scattered among all the employment sectors. The maximum frequency was business people.

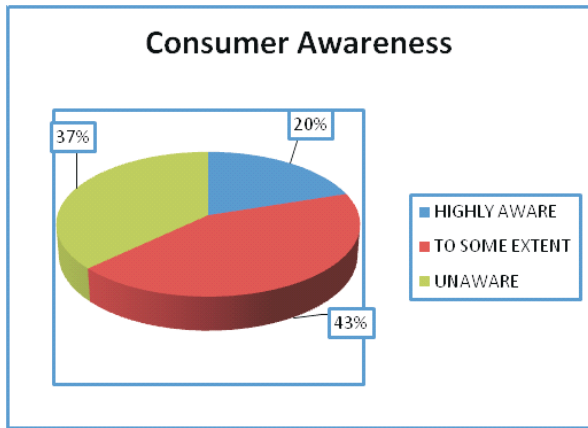
S.NO	Employment	Frequency	Percent
1.	Business	60	40
2.	Education	40	27
3.	IT	40	27
4.	Others	10	6
	Total	150	100



CONSUMER AWARENESS FOR ECO PRODUCTS

Of the total respondents, majority are aware about eco products to some extent only

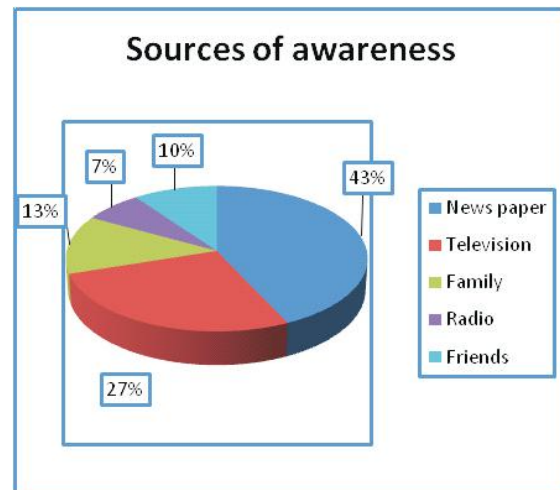
S.NO	Awareness Level	Frequency	Percent
1.	Highly aware	30	20
2.	To some extent	65	43
3.	Unaware	55	37
	Total	150	100



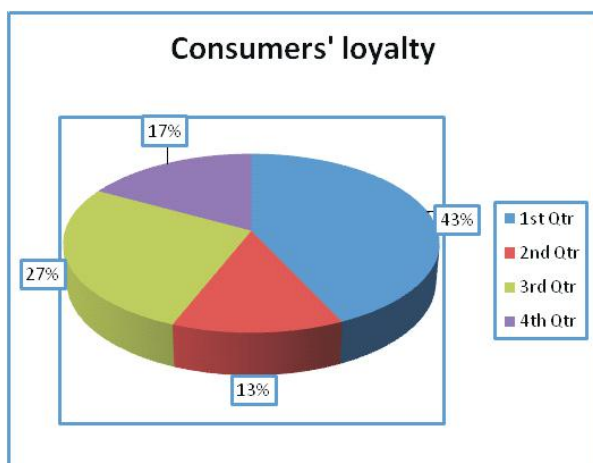
S.NO	source of awareness	Frequency	Percent
1.	Newspaper	65	43%
2.	Television	40	27%
3.	Family	20	13%
4.	Radio	10	7%
5.	Friends	15	10%
	Total	150	100

FACTORS AFFECTING CONSUMERS' LOYALTY TOWARDS ECOLOGICAL PRODUCTS

S.NO	Factors	Frequency	Percent
1.	Health status	65	43%
2.	Price	20	13%
3.	Eco-marketing actions advertising	40	27%
4.	Information and education	25	17%
	Total	150	100



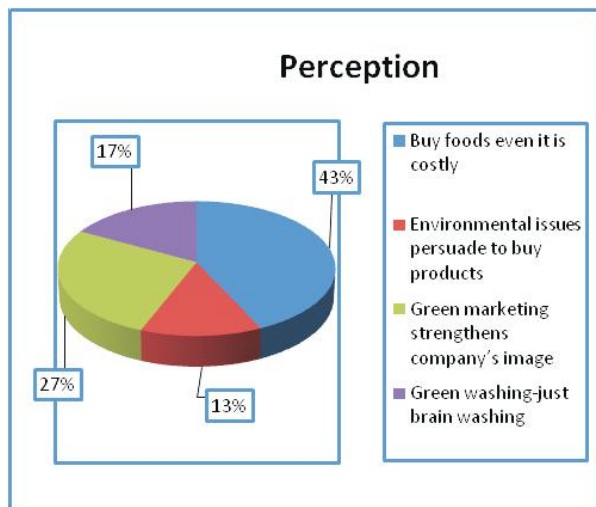
Majority of the respondents are loyal for eco products due to their health status.



Distribution of respondents with respect to source of awareness

Consumer perception towards green marketing

S.NO	Perception	Frequency	Percent
1.	Buy foods even it is costly	65	43%
2.	Environmental issues persuade to buy products	20	13%
3.	Green marketing strengthens company's image	40	27%
4.	Green washing-just brain washing	25	17%
	Total	150	100



Factors which influence consumer purchase decision

S.NO	Parameter	Garrett score	Ranking
1.	Quality of the product	70	1
2.	Availability of the product	57	2
3.	Brand name of the company	32	6
4.	Previous experience	55	3
5.	Advertisement	47	4

From above table it is evident that consumer purchase decision is highly influenced by quality of the product followed by the availability of the product and are least influenced by brand name of the company followed by family/friends opinion.

Awareness about green marketing

S. No	Name of the item	mean	Standard deviation	Chi square
1	Awareness of green products	5.45	2.18	269.93
2	Environmental phrases and symbols	6.05	1.72	557.17
3	Knowledge about government policy	5.34	2.05	166.47
4	Environmental issues	5.34	2.08	268.00

RESULTS:

The majority of the respondents were with the statement that “I understand the environmental phases and symbols on product packages.

- The main reason for not buying eco products
- High price
- Low availability
- Doubt about authenticity
- Doubt about eco certification

Knowledge about green washing
Green marketing going nowhere... Green marketing should be put to (rest)
It is not working – consumers are dazed and confused.
It remains a (niche) activity.
It's not moving the (needle)- it's not changing consumer habits.

Dark side of eco marketing

Most customers choose to satisfy their personal needs before caring for the environment.
Over emphasizing greenness rather than customer needs can prove devastating for a product.
Many customers keep away from products labeled “green” because they see such labeling as a marketing (gimmick) and they may lose trust in an organization that suddenly claims to be green.
Green products require renewable and recyclable material which is costly.
Require a technology which requires huge investment in research and development.
Majority are not ready to pay a high premium for green products.

CONCLUSION:

From this study it is proved that only middle age people have more awareness towards green marketing. News papers are the major source of awareness to the respondents. Consumer purchase decision was mostly influenced by quality of the product. Majority of the respondents understand the environmental phases and symbols on product packages. Majority perceive that buying eco food is good even it is costly. Eco marketing should not be considered as just one more approach to marketing. But it has to be pursued with much greater vigor, as it has an environmental and social dimension to it. Marketers have the responsibility to make the consumers understand the need for and benefits of green products as compared to non – green areas. In green marketing, consumers are willing to pay more to maintain a green environment. Finally consumers and companies need to pressurize effects as minimize the negative effects as the environmental friendly. Eco marketing and eco labeling consumers even are importance and relevance in developing countries like India, stop green washing and sincere attempt required for eco marketing to make it effective.