

Managerial issues for Green Marketing in Food Processing Industry of India

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Abstract

The food processing industry, as a sunrise sector, has gained importance in recent years for accelerating economic development of India. Apart from the environmental issues involved in production and processing stage, green marketing is a challenge faced by the industry at the delivery level of products. Green marketing refers to an organization's effort at designing, distributing, pricing, and promoting the final products that do not harm the consumer, production resources and the environment. It includes making arrangements to satisfy the intermediaries in the supply chain, the end users, the regulating agencies and the society at large. Marketers these days are getting conscious and promoting safe and environment friendly products. But the experience shows that the consumer in India does not give enough weightage to this factor. Hence the firms should first run a campaign to popularize green products in order to make the extra cost involved acceptable to all. Pressure on business for green products will especially come from the government regulation along with the changing perspective of the consumers. The initiatives are needed by the government to upgrade the standards and enforce them through designated agencies. The standards should save the wastages of material and energy and hence not add extra costs to the food for the consumers. Green products should be compatible to the Indian consumers in terms of price, promotion and delivery system. Green claims must also be supported by authentication and certification to differentiate them from products with false claims. Comparative advantages should be publicised to convince the customers. Retail chains should also obtain and guarantee certification by the designated

authority, compliance of safety laws and procedures and should be under scrutiny by them. This paper aims at designing the marketing mix strategies and outlining the managerial initiatives necessary for achieving green marketing in the food processing industry.

Keywords: food processing; green marketing; eco-mark; food safety; green products

1. Introduction

A green approach has gained popularity in corporate sector in the recent decades. Green marketing is as one of the major trends in modern business as revealed in a number of studies (Kassaye, 2001; Pujari and Wright, 1996). Getting environment conscious not only responds to the social, legal and political pressures, it also ensures business sustainability on the market front. Greener market strategies may exert leverage in taking full advantage of consumer preferences and to some extent cost efficiencies. Consumer power will in fact enforce it sooner than the other pressures in Indian circumstances. Green products are found to be essential not only for the environmental considerations but also for the business survival and expansion (Gupta, 2008). The food processing industry is seen as a potential candidate for achieving green marketing in its units and operations on domestic as well as global front.

2. Food Processing Industry

2.1 Significance

The food processing industry, which is globally referred to as the sunrise sector, has gained importance in India in the recent years. It contributes immensely to economic development of the country, provides employment opportunities and assists in income generation. This sector has the capacity to provide jobs to our rural poor and thus reduce the burden on Indian agriculture for their livelihood (Rais M et al., 2013). India is counted among the world's largest consumer of processed food products. India is only next to China in Food production and has the potential to be the biggest with food and agriculture (ASA&A, 2013). Market size of food and food products is around USD 181 billion and comes under largest consumption category domestically. Processed food products account for about 21% of gross domestic product. The national market for processed food is expected to increase by approximately 40% of the present market size by 2015 (FICCI, 2010). ACII estimate gives the potential of Indian Food Processing sector of attracting US\$ 33 billion of investment in 10 years and generates employment of 9 million person-days. (ASA&A, 2013)

2.2 Present Status

There has been significant transformation in the developing countries with regards to the way processed food is produced, marketed and utilized by consumers. (Busch and Bain, 2004; Henson and Reardon, 2005; Swinnen and Maertens, 2007). Consumers

have become alert to changes in food quality and are now more serious regarding food safety issues.(FAO, 2003; Deininger and Sur, 2007). As a result of rising income, urbanization, changing lifestyle, and dual working families, there has been an upward shift in demand for processed food products.(Goyal and Singh, 2007). Increase in consumption patterns of processed food by customers has led to expansion in the opportunities for the processed food sector domestically. (Chand, 2003; Chenggapa et al. 2005; Deininger and Sur, 2007; Mukherjee and Patel, 2005)

3. Green Marketing

Green marketing refers to an organization's effort at designing, distributing, pricing, and promoting the final products that do not harm the consumer, production resources and the environment. Application of green marketing in business will involve a more creative and innovative redesign, processing, packaging and delivery of the product but it may achieve a higher market share, consumer satisfaction and consumer retention. In turn it may also contribute significantly to employment and income generation and social upliftment. Adoption of green marketing may consist using green products, green processes, green packaging, green delivery and green advertising. In every step it should ensure to:

- (a) Minimize the usage of precious material
- (b) Minimize the usage of precious energy
- (c) Minimize the disposal of toxic effluents
- (d) Maximize the recycling of material
- (e) Maximize the use of renewable, and
- (f) Maximize the durability of the products

It includes making arrangements to satisfy the intermediaries in the supply chain, the end users, the regulating agencies and the society at large.Green marketing is accepted by the firms globally as it increases opportunities and provides competitive advantage to the firms adopting it. The pressure for making business environment green and behaving in a more responsible manner especially comes from Government and its regulation along with changing perspective of the consumers. Green marketing encompasses products which have the following minimum attributes:

- (i) packaging and raw material that are biodegradable, recyclable and reusable
- (ii) production process which should be pollution free
- (iii) farming devoid of pesticides
- (iv) preservation methods which do not make use of any chemicals etc.

3.1 Issues involved in marketing of Finished Products:

The following issues are noteworthy in this respect:

3.1.1 Consumer safety and health issues:. Marketers these days are trying to capitalize on the fact that, now people are more concerned for a safe and healthier environment and prefer environment-friendly products for consumption. Consumers are offered a wide range of competitively priced products. As a result, quality control is getting essential in the food industry, and efficient quality assurance has become increasingly

important. Instrumentation and food safety practices are of immense importance. One of the major concerns is the ability to trace and authenticate each and every ingredient of a food product.

In our country we used to have multiple laws and regulations with varying norms and standards to ensure health and safety for the products. A rationalization took place recently and on the recommendation of the GoMs (Group of Ministers), the Ministry of Food Processing enacted the Food Safety and Standards Act (FSSA) 2006 to provide a single reference point to regulation of food products. The role of 'The Prevention of Food Adulteration Act', 'The Standards of Weights and Measures (Packaged Commodities) Rules' (1977), Agmark Rules and many other commodity-wise laws and rules has been historically significant in the past but now FSSA has overridden all other rules or law whatsoever. Except for the safety requirements of FSSA, most of the green standards and regulations are not mandatory for the buyers or the sellers and therefore require a pull in the market to be effective.

3.1.2 Environmental issues: For global acceptance of the product, however, the quality certification like Codex Alimentarius offers a collection for internationally recognized standards that may be desirable for the global players in the sector. In this regard 'traceability' is also fast becoming a norm of providing safer food products by connecting producers and consumers. With the increasing acceptance of Good Agricultural Practices (GAP) and ISO standards in food manufacturing units, traceability system has become more advanced. Another method of providing a safe and environmentally acceptable product is to get the product labelled as green product through Eco-mark certification by Ministry of Environment and Forests, Government of India which does it in coordination with Central Pollution Control Board and Bureau of Indian Standards. For any eco-mark to be desirable in the market, it needs to be popular in demand by the users and the supply chain stakeholders. Therefore the scheme could not catch the fancy of consumers or the producers. There is a need for initiating an effective awareness campaign for both of them to stimulate its demand (CUTS, 2007).

4. Managerial Issues

Should the companies really go green? Does it offer them enough incentives for such drives? We can resolve the issue by going into the managerial issues involved in green marketing. According to Ottman (1993), green marketing practices help firms to achieve larger profits as well as increased market share. Additional advantages of green marketing as stated by Kuhre, (1995) include environmental protection, accurate information, reduction of barriers of trade, standardization, fewer health and safety issues, improved community and employee relations etc. The support and commitment offered by the top management is an essential factor for the firms' green initiatives (Berry and Rondinelli, 1998). The main reasons cited are (1) resources for green implementation can be easily available if the managers support the plan, (2) the implementation process would be more successful if the decision comes from the top. Role the firm plays in influencing the rate at which consumers adopt green product

according to Wong, et al. (1996) are (i) supplier of green products in the market, (ii) implementer of green marketing activities, and (iii) educator of consumer environmental awareness. Hence to a large extent firms' green initiatives provide for the sustainability of a nation's green economy. Therefore in the interest of the whole economy and the society the compulsions and pressures are to be maintained for the business firms that they comply with the green standards.

4.1 Compulsion and pressures for business

The adoption of a green marketing orientation by a firm is basically a response to the increased pressures by society towards the firm. Green marketing orientation may provide the organization with a strategic competitive advantage in both domestic and international markets. This factor alone can motivate them and the forward looking businesses voluntarily adopt it. Government in addition may play a role in effective and total implementation of green marketing practices. In a vast and diversified country like India unless the government makes specific and stringent regulations and utilizes its authority to implement the most important of the standards, the concept of green marketing cannot uniformly be enforced. The Indian food regulations consist of various food policies and standards that have been enacted at different points of time, and are under the scope of various ministries of Government of India. Ministry of Food Processing, Ministry of Environment, Ministry of Agriculture and the agencies like BIS, EIC, FSSAI, etc. are responsible for implementing legislations. However, the testing facilities and laboratories are poorly equipped in technology as well as in skilled manpower, which has led to poor test results and are sometimes unacceptable in international markets. Thus exporters have to resort to expensive multinational testing facilities. Our country does not enjoy having compulsory inspection system under Export (Quality Control and Inspection) Act 1963, which monitors the quality of a large number of commodities exported from the country. In order to meet global trade demands, India needs to upgrade the facilities for testing, certification and laboratory accreditation.

4.2 Consumer Awareness

The catalysts and pressure groups world over have made the leading firms in the corporate sector conscious of the need of becoming eco-friendly. But the business and the industry as a whole in India will acknowledge its significance only on the popular demand of consumers and marketing intermediaries. In the Western world green movement has reached to majority of consumers and their huge percentage shows a strong interest in eco-products (Ghose, 2008).

In marketing process the issue pertinent to success of green products is the meaning that consumer attach to the concept of 'green'. Peattie (1995) defines '*green marketing*' as the management process responsible for identifying, anticipating and satisfying the requirements of customers and society. Hence, understanding consumers is the first logical process in green marketing as well. It was pointed out by Ottman et al. (2006) that a product to be green, should achieve at least two main objectives namely- 'improved environmental quality' and 'customer satisfaction'. Not able to judge both the factors correctly or overemphasizing quality at the expense

of customer satisfaction is known as '*green marketing myopia*'. Empirical analysis of firms' marketing strategies by Wong et al. (1996) and their influence on consumer demand for green products showed that when green product's environmental benefits are not clearly defined, product performance along with other attributes, remain the main determinants of product preference and choice.

The penetration of green products against the traditional ones varies with the categories of products. In auto and energy sectors it has been on a mass scale (Gupta, 2008). As the consumer awareness increases for organic foods and sustainable products, the trade and industry is bound to meet their expectations. Increased marketing efforts and publicity are needed to communicate the advantages of a 'green' image to consumers (Ottman, 1993). Since green marketing is a relatively new concept in developing countries, hence the assumption that customers are aware of the environmental issues and impact is not correct. Therefore creating awareness and providing environmental education to customers and stakeholders involved is of prime importance (Nair and Menon, 2008). Indian consumers appreciate the importance of using natural product as they are exposed to healthy living lifestyle with natural food intake and workouts. Due to our rich heritage and culture the consumer is already close and will be inclined to go for the natural and unadulterated products.

Customers need to be educated and made aware how they can benefit using the green product or service. Through this process the customer can change their decision to stop using products that are harmful for the environment. This can be done by spreading the message among the customers about the advantages of consuming environment- friendly products. One way is to post profiles related to green marketing on social networks which creates awareness among the peer groups. Hence the first rule of green marketing is to focus on customer benefits that they can draw from pure and natural products. If this is done correctly and customers are motivated to switch brands they will pay a premium for the greener alternatives. It is not going to help if a product is developed which is totally green in various aspects but does not pass the customer satisfaction criteria. This will lead to green myopia. Again if the green product is priced very high then it will lose its market acceptability. Consumers need to be made favorable for green products. The concept is still new for the people hence the customer needs to be educated and alerted of the environmental threats (Mishra and Sharma, 2010).

4.3 Cost considerations

Price is an important factor of green marketing mix. Most consumers will pay additional price if there is a perception of extra product value, hence the price of the product should meet the expectations of the customers. Since marketers have the responsibility to make the consumers understand benefits of green products as compared to non-green ones, hence in green marketing, consumers' willingness to pay more to maintain a cleaner and greener environment will be proportionate to the value they perceive in such offers, for them as well as for the society. Many food

producers have switched over to production methods which are organic in nature; these organic products are sold for a higher price in the market, and consumers are paying that extra price. This is a glaring example of consumers' preparedness.

The two objectives green marketing is expected to serve according to Ottman (1998) are:

- (a) Balancing *environmental compatibility* of products: Minimal impact of the products on the environment must have a tradeoff with customer's need for performance, quality and reasonable price.
- (b) Projecting an image of *environmental sensitivity*: High environmental quality in terms of both product attributes and its manufacturer's track record must clearly be highlighted.

It has been observed that the Indian consumer is driven more by price and less by environmental concerns. The consumer attitude is usually 'buy cheap' rather than 'buy green'. However, Indians are opening up to the concept of green marketing as observed by increasing acceptance of organic products in India by the educated section of the society (Das, 2002). Hence, green marketing makes and motivates the consumer to want a better and cleaner environment such that they are willing to 'pay' for it, possibly through higher priced goods, modified individual lifestyles, or intervention of government. Therefore marketing should be a holistic approach comprising of involvement of various stakeholders at various stages of the product life cycle. Some of the measures of greening like avoiding or minimizing the wastages in material and energy are themselves helping the firms in cost reduction but many others may appear to be putting a burden in terms of investment in technology, skills, processes, monitoring and accreditation. But a proper management with a long term perspective may, to a great extent, overcome this problem. Research has shown that environmental regulation may lead to a win-win proposition such that environmental benefits and increased competitiveness both can be achieved (Bernauer et al. 2006). In the words of Porter and Linde (1995), '*properly designed environmental standards can trigger innovation that may partially or more than offset the costs of complying with them*'.

The message in the above findings is visibly clear. Overall impact of greening the business will in the long run be cost effective and sustainable too. In the short run only the cost will have to be managed in innovative and creative initiatives. This cost will be recovered in the long run by providing a competitive edge to the firm.

4.4 Promotion and Delivery Options

Customers receive food safety information from various sources, but their main source of information is the mass media especially the newspapers, magazines, radio, and television. General food safety information is also drawn by them from the media. It is a necessity for the firms to disseminate this knowledge specially the benefits of green products to the public through the media. Communication programs link the firms with the social and economic environment. It has been found that, not all firms that claim to be environmentally responsible are genuinely green conscious (Polonsky et. al, 2001). Hence the media has coined the term '*green washing*' to describe the

cases where the firms misrepresented themselves as environmentally safe. Hence the public tends to be alert of green claims and if the claims are proved false, it can seriously damage their brand. Green advertising can be of the following types:

- (i) Advertisements that promote relationship between product and the environment.
- (ii) Advertisements that address green lifestyle by defining a green product.
- (iii) Advertisements that present a firm as environmentally responsible.

Green promotion involves configuring the tools of promotion along with giving due importance to people planet and profit. The names of retail outlets like '*Reliance Fresh*', '*Fresh@Namdhari*', '*Fresh and Desi*', communicate an innate sense of green marketing along with the objective of selling fresh vegetables and fruits. It was observed in one study that the respondents who were more proactive with environmental concerns had positive attitude towards green promotions (Kiran, 2012). Hence such environmentally responsible organizations push or promote the environmental concerns to the consumer who after getting sensitized, demand the green products. This basically is the pull effect, which is also promoting the firm's reputation. The decision regarding the location of green product will also have a significant impact on the customers since very few customers go out of their way to buy a green product. A feasible location also assists the organization in cutting down on transportation emissions, thereby reducing the carbon footprint. Hence it is all about managing logistics. To cite an example, producing local/ domestic mango juice does away with the shipping cost and carbon emissions associated with various modes of transport in terms of import of the same juice from international markets.

5. Conclusion

The Food Processing industry is growing with a rapid rate and also has a great untapped potential to lead the economy to progress. This sector also has a capacity to use green marketing in its domestic and global operations. Adoption of green marketing in this industry involves using green products, green processes, green packaging, green delivery and green advertising. It includes making arrangements to satisfy the intermediaries in the supply chain, the end users, the regulating agencies and the society at large. The first and foremost requirement for this pursuit is to create awareness regarding the parameters and the benefits of green products among the different stakeholders including the consumers. Popularising the health and safety standards and their certification should work as a pull rather than a push strategy. The standards, the certifying agencies and the laboratories with testing facilities all are in the need of an up gradation. The extra cost involved in green pursuits may offer a win-win situation with a simultaneous reduction in material and energy wastages. The promotion and delivery strategies may also result in demand stimulation and brand equity. The green marketing as a whole may exert immense leverage to brand equity and corporate reputation.

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