

# The Concept of Green Marketing in Palm Oil

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The term green marketing has been in use since the 1980s, following the shift of consumerism towards a cleaner and greener environment. There are many definitions of this term. Pride and Ferrell (1993) have tried to explain it as a way for a firm to design, distribute, market, and price a certain product without harming the environment. Polonsky (1994) has defined green marketing as all a firm's activities to generate or facilitate services and/or products with minimal detrimental impact on the environment.

Keywords: green marketing ; sustainability marketing ; marketing strategy

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## 1. The Concept of Sustainability

Sustainability has been a key issue in the corporate world since the 1960s because of the world's finite resources and vast global economic growth <sup>[1]</sup>. The trend of sustainability has increased significantly over the few past years to encompass factors from various stakeholders that specifically address issues such as climate change, environmental degradation, unequal economic growth, human welfare, and good corporate governance <sup>[1][2][3]</sup>. Perhaps one of the best and clearest categorization generalizations is John Elkington's concerning sustainability, that is, his term the triple bottom line (TBL). It essentially suggests that firms allocate resources not just by looking at the firm's financial bottom line but also by taking into account the three Ps (people, planet, and profit) <sup>[4]</sup>.

## 2. Triple Bottom Line

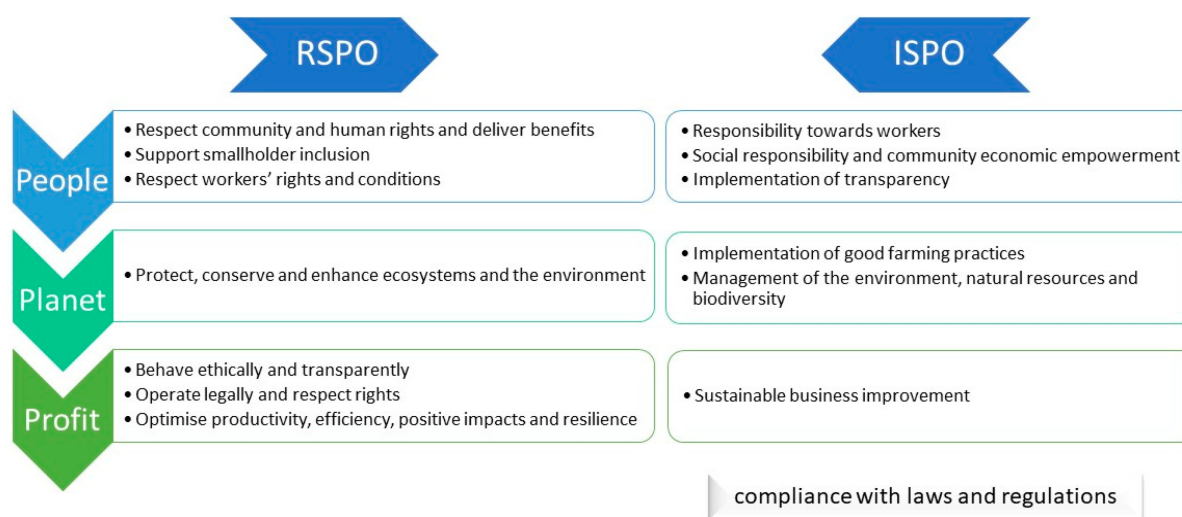
The main aim of the triple bottom line is to shift from the focus of short-term economic profit and to approach business operations with an emphasis on the economic prosperity alongside social development and environmental quality <sup>[4][5]</sup>. Elkington's point of view makes a clear distinction between profit and the wellbeing of people and the environment. This concept has promoted many platforms such as the Global Reporting Initiative (GRI) and Dow Jones Sustainability Index (DJSI) <sup>[6]</sup>, and in the case of the palm oil industry, it has also been the propeller for the standardization of RSPO for a voluntary worldwide standard and ISPO in Indonesia for the mandatory certification of palm oil plantation companies. However, the TBL has some flaws in its conception, especially in its emphasis on accounting perspectives and not on counteracting a corporation or a firm's profit-oriented nature. In a recent article in the *Harvard Business Review* (2018), Elkington himself has admitted that most companies that have used TBL in the past only used it as a balancing-act concept or a trade-off scheme. Even though there are merits in its application, the continuous threat of climate, water resources, forest, ocean, biodiversity, and many others still remain, and there is a need for other models that can push for systemic change and transform capitalism <sup>[7]</sup>.

Therefore, the concept of sustainability has to expand according to the times and specifics of its industry. Perhaps in the palm oil industry in Indonesia, the platform that touches on many of its sustainability aspects, including environmental, socioeconomic, and good corporate governance, is the RSPO and the ISPO, at least for the time being.

## 3. The Sustainability factor of the Roundtable on Sustainable Palm Oil (RSPO) and the Indonesian Sustainable Palm Oil (ISPO) Standard

The RSPO and the ISPO are both used to align palm oil production with the rigorous principles of sustainable development in order to bring about change and to transform the industry <sup>[8][9]</sup>. However, in many ways, numerous studies have shown that the ISPO is a way for the Indonesian government to assert more control over sustainability policy instead of the industry being dictated to by other nations concerning palm oil sustainability, particularly non-producing CPO countries or organizations <sup>[10][11][12]</sup>. That is the main reason that the RSPO is still much preferred to the ISPO. The similarities and differences between the RSPO and ISPO are clearly shown in **Figure 1**.

## Similarities Between RSPO and ISPO



**Figure 1.** Similarities between RSPO and ISPO.

Nevertheless, these two certification bodies mainly cover the same principles and criteria of people, planet, and profit in accordance with Elkington's triple bottom line concept. Even though the language and the interpretations of the RSPO and ISPO guidelines are different, both sets of criteria have similar emphasis, especially on opening new plantations which must account for greenhouse gas emissions, primary forests, and peatland exploitation <sup>[13]</sup>.

The ISPO was created by the Ministry of Agriculture in Indonesia in 2011 under the Ministry of Agriculture Regulation Number 11/Permentan/OT.140/3/2015 to answer questions concerning the sustainability of palm oil plantations and to support the commitment from the President of the Republic of Indonesia <sup>[13]</sup>. The RSPO was created by the drivers of a European initiative to combine a renowned NGO working in the environmental sector, the World Wildlife Fund (WWF), with a world-renowned fast-moving consumer goods producer, Unilever <sup>[14][15]</sup>. The main difference between the RSPO and the ISPO is the mandatory legal compliance for palm oil plantations that are based in Indonesia.

Regardless of the impediments to gaining certification for palm oil-producing companies, the challenges are still persistent, originating from the many various stakeholders. The question of whether these certifications really benefit the prevention of biodiversity loss and forest loss has been asked many times <sup>[16][17][18]</sup>. However, the irrefutable evidence of business interruption caused by numerous NGOs and policy changes has created significant monetary and market loss <sup>[3]</sup>.

## 4. Green Marketing

Richardson (2003) has eloquently explained Welford's (2000) definition of green marketing as the process by which the firm's management identify, anticipate, and meet the requirements of customers in a sustainable and profitable way <sup>[19]</sup>. The fundamental commonality of these definitions can be described as the whole process from production to marketing, pricing, and distribution, in which the firm or the company operates with the mindset of preserving the environment and communicating this green approach to its consumers.

However, the term green marketing has also expanded and taken shape over time. Sustainability marketing is a term that expands on green marketing by putting an extra focus not only on the environmental side, including pollution, hazardous waste, and pesticides, but also on the social values of a business that many researchers have pointed out throughout the years <sup>[20][21][22]</sup>. As it could be seen, the concept of green marketing does not differ from the triple bottom line coined by Elkington (1999); Fuller (1999) has also summarized green marketing in the broader context of sustainable marketing as a way for an organization to holistically approach, develop, and implement certain strategies that follow certain criteria where the consumer's needs are met, the targets of the firm are achieved, and the whole process is in line with environmental and ecological needs <sup>[23]</sup>. Even though the pressure on the palm oil industry is more focused on the environmental aspect, it is also imperative for palm oil players to put in play the sustainability card when designing and strategizing the communication plans, since sustainability is currently a key trending factor trend ever since the inception of the United Nations' Sustainable Development Goals (SDGs) in 2015. The growing trend of this particular sustainability subject, especially in production and climate action, will cater for the future aspirations of consumers <sup>[24]</sup>. Many researchers have predicted and argued that the future of marketing practitioners and strategists will have to shift from

consumer relationship orientation to multiple stakeholder orientation which involves economic, environmental, and social impacts. In this so-called new third millennium era, new consumption and production patterns are evolving, and therefore sustainable marketing is becoming increasingly important <sup>[25][26]</sup>.

This particular sustainability marketing, which is not just focused on the environment, also has the qualities of creating a long-term marketing relationship with stakeholders as opposed to traditional short-term, transaction-oriented marketing <sup>[27]</sup>. Peattie and Belz (2010) have eloquently identified the need for a paradigm shift of conventional marketing by thinking about the following four specific areas: (1) socio-ecological problem as a starting point for marketing, (2) holistic approach to consumer behavior, (3) reconfiguring the marketing mix for sustainability, and (4) using sustainability marketing as a transformational force. The most important factor arising from the Peattie and Belz theory of sustainability marketing is perhaps the addition of the four “P” factors of marketing, which are product, price, place, and promotion <sup>[28]</sup>, to another four “Cs” of marketing, which are customer solutions, customer cost, convenience, and communication <sup>[27]</sup>.

## **5. The Four “Cs”**

### **5.1. Customer Solution**

The shift that is now occurring is based on the fact that customers' needs have changed to sustainable products that can improve social and environmental factors for the better or at least not for the worse. By buying sustainable products, there is a sense of long-term bonding that can be achieved; however, these products must also achieve the following: customer satisfaction, which means that the customers' needs must be met and the product is performing as the firm claims it should; dual focus, which means that the product is designed not only with ecological aspects but also with social aspects in mind; life-cycle orientation, which means that producers are actually making sure that sustainability is incorporated from the beginning until the end of the product's lifecycle; significant improvements, which means contribution to social and ecological problems; continuous improvement, which means pushing producers to always look further because needs and demands for social and environmental concerns may change over time and must always be related to the customer; competing offers, which means that one must always be aware of competition and that, even when fulfilling all these criteria, future threats can still arise <sup>[29]</sup>.

### **5.2. Consumer Cost**

According to the new approach of sustainability and green marketing, consumer perspective has also changed for conventional pricing, beyond just looking at it in terms of product usage; now, customers have other considerations beyond the transaction cost incurred because of social and environmental factors <sup>[28]</sup>. It is undeniable that a difference in pricing will remain a factor for certain buyers regardless of the sustainability factor or the green factor that a product may present <sup>[30]</sup>; however, by targeting certain consumers, companies can actually gain credibility, increase market share, and gain long-term loyal customers <sup>[31][32]</sup>. Therefore, it is imperative for corporations to also target competing prices with proper communication strategies for environmental and social aspects <sup>[33]</sup>.

### **5.3. Convenience**

The current challenge facing marketing strategists is defining convenience against the traditional way of thinking of “Place”, outside the context of point of exchange or point of sales. The value to customers is the focus of convenience that it brings to them so that the product is easily accessible. The trade-off between sustainability and convenience is something that producers and marketing strategists must be aware of.

### **5.4. Communication**

The important strategy that will change the narrative of the traditional four “Ps” is the ability to change the perspective of or perhaps educate consumers about sustainability not simply in a unidirectional way. As Peattie and Belz (2010) stated:

“The challenge for sustainability marketers is to develop communications campaigns which suit the nature of their consumers and the solutions they develop for them. It is, however, more challenging for sustainability marketers to take advantage of the power of marketing communications techniques, due to widespread concerns about “greenwashing” and the social and ecological criticisms...”

One must be aware of the danger of overstating or wrong communications that can give reason for consumers to suspect “greenwashing”. Greenwashing can be described practically as the misleading practice of marketing communications focusing only on the positive aspects of a corporate image, especially in environmental sectors, without fully disclosing the negative information that a company may have or be aware of <sup>[34][35]</sup>.

The danger of greenwashing can lead to unfair competition against enterprises and also has a negative impact on customers and shareholders <sup>[36]</sup>. These tactics that companies use include, but are not limited to, abstract and vague statements about their products or services, misrepresentations of labels and slogans, product design, and hidden goal conflicts by stating that one product is sustainable but the rest of the product lines are not <sup>[36][37]</sup>. In addition to misinforming customers about the ecological benefits that a product might have, there is also the danger of losing existing customers and new potential business opportunities, not to mention the legal ramifications for companies. Therefore, precise communication strategies are of paramount importance in delivering the products.

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