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“Green Economy for Sustainable Development”

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Proceeding of International Seminar “Green Economy for Sustainable Development”.

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PREFACE

Assalamu'alaikum Wr. Wb.

This proceeding is a bundle of abstracts presented in International Seminar "Green Economy for Sustainable Development", commemorate 52nd Anniversary of Ahmad Dahlan University. Our International Seminar and Conference, organized through inter-institution cooperation program is a unique opportunity for university scholars to meet, share their specialized knowledge and learn from others. Present digital age exchanges knowledge and technology on numerous subjects covering almost all the areas like pure and applied science, technology, social science, health, environment, etc. but most effective sharing and dissemination of explicit knowledge is through conferences and seminars where intellectual environment is created for learning and sharing knowledge through research papers presentation.

The conference major activity is to bring the awareness of the sustainable development that is closely related to social, economy, and environment. In addition, the conference will make the participants realize the important of "green behavior". The conference objectives are: (i) to share and exchange of specialized knowledge experienced by academicians, scholars, representative of governments and NGOs; (ii) to share the pragmatic approach in the development of strategic framework to address the barriers to sustainable development; and (iii) to formulate and create international network for scholars, educators, and practitioners.

The organizers hope that the materials presented in the proceeding will be useful information that can be considered in the formulation of strategic framework in instituting policies regard to sustainable development.

Wassalamu'alaikum Wr. Wb.

Yogyakarta

May 2013

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Building Loyalty with Green Marketing

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Abstract. The increasing of public awareness about the importance of environmental conservation forced corporate to applied green marketing as one of the means to achieve corporate competitive advantage. This paper aimed to explain the essential of green marketing as one of the marketing strategy to build customer loyalty. Green marketing can be implemented in wide context. Not just offered eco-friendly product, but also about producing, promotion, distribution and service in eco-friendly ways. Thus, the success of green marketing will increase the quality of service and customer satisfaction. Customer satisfaction will increased customer loyalty, and at the end the company will have high competitive advantage.

Keywords: *customer loyalty, green marketing*

1 Introduction

The harm that caused by global warming has reached the dangerous level for human. It increased the awareness of society to protect the environment, with not using harmful product. That situation forced companies to produce eco-friendly product. The eco-friendly product consist of the material, packaging, and so on Situmorang [1].

To fulfill the needs of eco-friendly product, the company applied green marketing society to achieve competitive advantage. Green marketing can be implemented to a wider context. Not just offer the eco friendly product, but also about the production, distribution, promotion and service. In this case, green marketing is one of the means to build customer loyalty. Customer loyalty was build by long term relationship among company and customers. It showed that customer loyalty has important role to develop sustainable competitive advantage, that is an advantage that can be made real by the marketing efforts Dick and Basu [2]; Dharmmesta [3].

Customer loyalty can be achieved by the enhancement of service quality and the accomplishment of customer satisfaction. Service quality is the main factor of customer's choice of product and service, while producing goods and service is company's way to satisfy customer. It meant that the customer will be satisfy if the company's service quality can fulfill customer needs. Customer satisfaction will encourage them to repeat purchase, so the customer loyalty will be created.

It showed that the long term relationship among company and customer created by the antecedents of customer loyalty. Thus, the success of green marketing strategy will give good impact to the escalation of service quality and customer satisfaction. The attainment of customer satisfaction will escalate customer loyalty. While, the escalation of customer loyalty will create company competitive advantage.

This paper aimed to explain the use of green marketing strategy to create quality service and customer loyalty. And green marketing strategy is a means to create company competitive advantage. The attainment of customer satisfaction will increase customer loyalty, and the increase of customer loyalty will give good impact to corporate competitive advantage.

2 Green Marketing

Green marketing is a strategy to increase corporate competitiveness. Lampe [3]. explained that green marketing is defined as the marketing response to environment effect of design, production, use and disposal of goods and service. Another term of green marketing is environmental marketing and ecological marketing [1]. While the word 'green' means 'conserve the environment'. There are three 'green' categories in corporate activity Grant [4]. :

- (1) Green – setting new standard ; communicate – having commercial objective only (where the product, brand or company is greener than alternative).
- (2) Greener – sharing responsibility – collaborate : having green objective as well as commercial objectives (the marketing itself achieves green objective
- (3) Greenest – supporting innovation – cultural reshaping: having cultural objective as well (making new ways of life and new business models normal and acceptable).

Besides that, according to Pujari [5], green marketing strategy can increase sales, improve feedback from customer, enclose relationship with customer, increase corporate competitiveness and improve corporate image.

Ottman [6] explained the benefit of green marketing strategy. The benefits of green marketing strategy can be seen on figure 1.

According to the chart, green marketing has some benefits:

- (1) Improved organization performance (improved probability, competitive advantage, increased market share and brand loyalty, better produce)
- (2) Personal reward: green product offer consumer with the benefits of healthier, more fulfilled lives and power to make the world a better place.
- (3) Better Physical Environment : well eco-coordinated use of all green marketing strategies will result in better physical environment in term of reduced air and water pollution, waste energy depletion, global warming, deforestation, depletion of natural resources and rate of laudfills
- (4) Sustainable development: meeting the needs of the present without compromising the ability of future generations to meet their needs.

Despite of the benefits, the implementation of green marketing faced many obstacles. These are the obstacles of green marketing implementation according to Kinoti [7]:

- (1) In general, all the green marketing strategies are difficult expensive to implement in short run
- (2) The environment benefits are intangible, indirect or insignificant to consumer, for example: consumers cannot see the emission being spared when they use energy saving appliance.

- (3) Environmental benefits are difficult to measure or quantify.
- (4) Some strategies (e.g. promotion) are subject the manipulation, for example some marketers use false environmental claims in order to gain competitive advantage.
- (5) The success of green marketing depends on several stakeholders who must work as a team, these include: general public, employees retailers, government, environmental groups, and suppliers
- (6) The cost saved through recycling are doubtful.

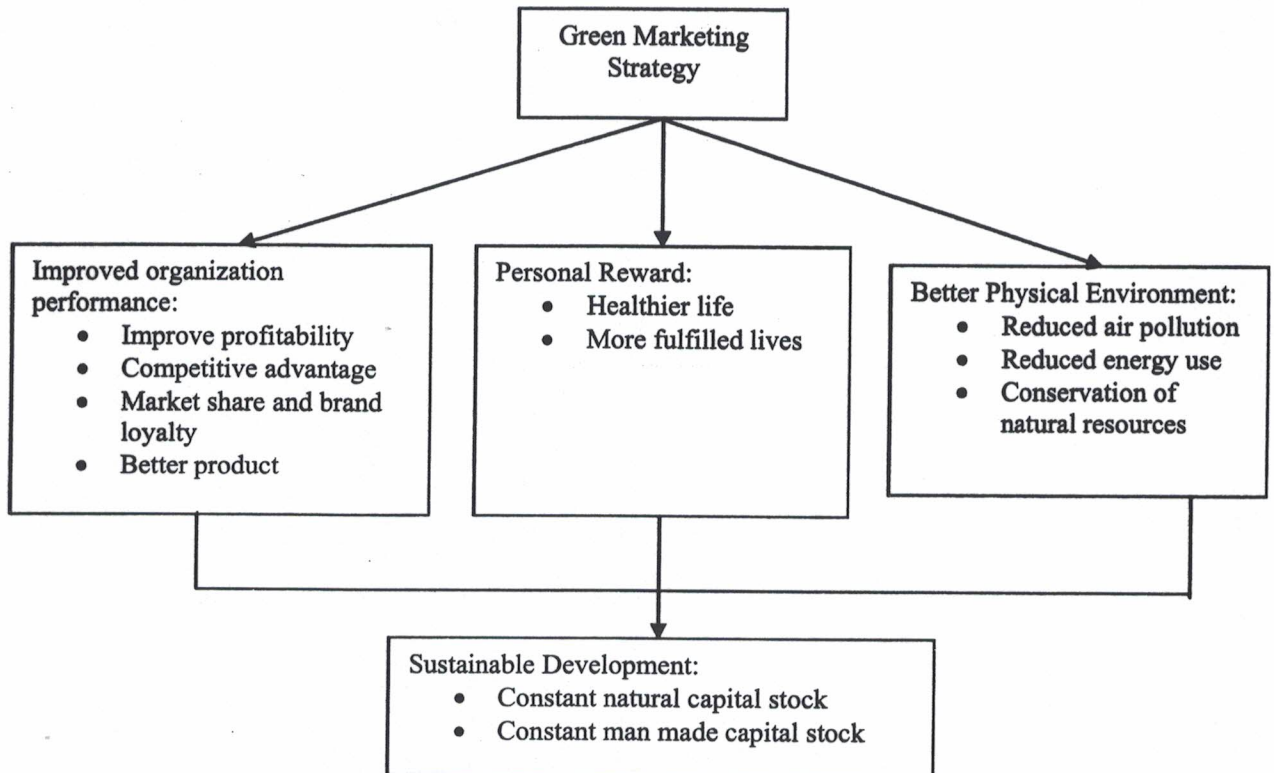


Figure 1. The Benefit of Green Marketing Strategy
Source: Ottman [6]

3 Customer Loyalty

Customer loyalty is a reflection of a customer's loyalty to some particular object, and those objects are brand, products or some stores [8]. Dharmmesta explained that customer loyalty was brand loyalty that reflected customer royalty to the brand. Those two terms has the same meaning so they can be used equally.

There are two approach to understand loyalty concept, that is behavioral approach and attitudinal approach. Behavioral approach emphasized loyalty concept on purchase

repetition, purchase proportion or probability purchase. While attitudinal approach is about psychological commitment to object, and the measurers are satisfaction, commitment and intention [2] and [3].

The study of loyalty that insists on attitudinal approach considered more useful because attitude will urge on a certain behavior [9] and [10.] But the attitudinal measurer is a weak predictor of behavior. Therefore, the used of attitudinal approach and behavioral approach together will give a perfect operational definition about customer loyalty.

Loyalty can be understood through attitudinal approach and behavioral approach, has four stages [3] :

(1) Cognitive loyalty

Consumers using basis information that forces consumers to refer to one brand over the other brands. For example, a supermarket offered lower prices than its competitors. This information is enough to force consumers to always shop at the grocery store. It is still not a strong form of loyalty because if there is another supermarket that offers more interesting information, then consumers will move to other supermarkets.

(2) Affective loyalty

The loyalty of this stage is based on consumer's affective aspect. This attitude is cognition (expectation) on the early period of purchase (pre consumer) and is a function of the previous attitude plus the satisfaction in the following period (the post period consumption). The loyalty in this stage is more difficult to change, because the loyalty has entered consumer mind as affection.

(3) Conative loyalty

In third stage, loyalty is based on the conative aspects of the consumer. Conative indicates an intention or commitment to do something towards a specific objective. In this case, to make a purchase.

(4) Behavioral loyalty

In this aspects, the conative aspect or intentions has developed which are converted into actions or behavior to affect a purchase.

Based on some stages mentioned above, we can concluded that customers loyalty can be built. First, build cognitive loyalty, then affective loyalty and conative loyalty and finally behavioral loyalty (loyalty that is sustained, with the commitment and actions).

4 Green Marketing ans Costumer Loyalty

To face the global competition, a company must build high competitive advantage to win. To have competitive advantage, they have to able maintain their long term relationship with their customer, so their customer will be very loyal to them. Because customer loyalty can lead the company to get profit.

There are plenty strategies to build customer loyalty. As the increasing of public awareness to conserve the environment, company could make it as an opportunity to their business. in this case, to build customer loyalty they can implemented green marketing strategy. Green marketing consist of green product strategies, green logistic strategies, green pricing strategies, changing consumers from consumption culture to ecologically concerned customers, adoption of eco-marketing orientation as a business philosophy,

government intervention, lifecycle inventory analysis and teaming up for success Polonsky *et al*, [11]; [6]; William, [12]; Charter, [13]

Thus, green marketing is not just based on green marketing mix, but also use general marketing strategy. General marketing consist of market share, service quality, customer satisfaction, brand loyalty, competitive advantage, positive company image, profitability, and organization performance. Karna *et.al* [14] in Shammot [15] defined green marketing strategy as the holistic management process responsible for identifying, anticipating and satisfying the requirement of customer and society, in a profitable and sustainable way.

It showed that green marketing strategy is the important strategy to escalate the quality of service. The escalation of quality service will give positive impact to the attainment of customer satisfaction. The attainment of customer satisfaction will increase customer loyalty. While, the attainment of customer loyalty will give positive impact to corporate competitive advantage.

5 Conclusion

Global warming made society concerned about the environment. Public awareness of the importance of safeguarding the environment becomes an opportunity for companies to meet the demand for products that are environmentally friendly. To capture the opportunities and win the competition, companies can use green marketing to build customer loyalty.

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