GREEN MARKETING IN THE FUNCTION OF SUSTAINABLE DEVELOPMENT

Abstract

The concept of green marketing arose in response to climate change and global warming. As a part of a holistic marketing concept, green marketing includes activities related to adapting production processes, product modification, improving packaging and product labeling systems, communicating the environmental benefits of products, in a way that has minimal negative effects on the environment. According to the principles of green marketing, every instrument in the marketing mix has a green perspective.

National economies and enterprises have recognized the value of green marketing in meeting the needs and demands of consumers, but also as an incentive for growth and expansion of economic activities. The paper analyzes the concept of green marketing, as well as the instruments of the green marketing mix to understand its importance in modern business conditions. Environmental taxation, as an integral part of green marketing, indicates the importance and significance of preserving the environment in the function of growth and development of the economy. It is emphasized that the marketing strategy should be a response to the changing market needs, but also an incentive to create environmental awareness of consumers.

Keywords: sustainable development, green marketing mix, green consumer, environmental taxation

JEL classification: E60, M310
**Кључне речи:** одрживи развој, зелени маркетинг микс, зелени потрошач, еколошко опорезивање

**Introduction**

The modern knowledge-based economy is characterized by continuous change. Thus, national economies and economic entities are forced to create new business policies and strategies to respond to the challenges posed by innovation, technology, and market changes. The need for responsible behavior is becoming imperative through the constant harmonization of business and marketing decisions with the goals of sustainable development and socially responsible business.

There is an opinion, in economic and environmental practice and theory, that most of the natural resources have a regenerative character, so that rational use can restore wealth and that efficient use can increase wealth in total. It is therefore necessary to direct economic measures on protection and preservation of nature through the philosophy of sustainable development. As legislation fails to ensure the rational use of resources and effective protection against pollution, economic instruments (environmental taxation) are used as an effective protection mechanism.

Socially responsible behavior of the company maximizes the positive and minimizes the negative impacts of business on society. To be successful, companies must anticipate and respond to the demands of society. Consumers appreciate such activities, which improves the image and market position of the company. That is why an increasing number of companies are trying to accept and implement the concept of green marketing in their business. Through green marketing, businesses aim to produce and sell products that are healthy and environmentally friendly. Investing in this type of activity requires great support from both the state and consumers themselves. In the long run, investing in green marketing has prospects, especially in the markets that are oversaturated with products that are neither good quality nor good for consumers and the environment.
The concept of green marketing

As a modern business concept, marketing is characterized by continuous upgrading and development. According to Charter, Peattie, Otmany & Polansky (2002), there are three marketing approaches, which reveal the development of this discipline and the existence of environmental commitment of the economy and economic participants. They distinguish the following:

I. Ecological marketing, which dates back to the 70s of the last century and is aimed at challenging products and production methods that hurt the environment;

II. Green marketing that emerged in the 1990s and reflects the need for significant changes in traditional consumption patterns to reduce the harmful effects on the environment;

III. Sustainable marketing, whose focus is to achieve a triple result - the creation, production, and delivery of sustainable solutions, while constantly meeting customer needs (Charter, Peattie, Ottman & Polonsky, 2002).

Environmental marketing is “an approach that emphasizes products and production methods that improve environmental performance, encourage environmental processes or solve environmental problems” (The Dictionary of Sustainable Management, 2008). The most important issue for environmental marketing is the specificity of the relationship between supply and demand. Green marketing includes activities for the development of environmentally friendly products, which are designed to minimize the negative effects on the environment. As a part of a holistic marketing concept, green marketing encompasses a wide range of activities from product customization, modification of production processes, improvement of product packaging and labelling systems, to advertising activities in the least harmful way, constantly raising awareness of the importance of green marketing. The United Nations Environment Program (United Nations publications, 2012, p. 146) states that green marketing includes activities undertaken to promote the environmental performance of products or products that are socially acceptable.

According to the principles of green marketing, every instrument of the marketing mix has a green perspective (FuiYeng & Yazdanifard, 2015; Stanković, Đukić & Stanković, 2019). Although there is no product available that has no impact on the environment, a green product is the one whose use has the least impact on the environment. Natural, ecologically sustainable and manufactured from recycled materials would be an ideal product. It satisfies the demands of environmentally conscious customers.

Throughout its life cycle, the green product is designed using as minimal natural resources as possible and to have an as little negative impact on the environment as possible. The cost of making green products is higher, bearing in mind that there are higher criteria applied to the creation of green products and because it is a matter of generating small quantities. As a result of these factors, a green product manufacturer may find itself at a competitive disadvantage. But at the same time, the production of green products can be an effective strategy for differentiating the company’s offer. By emphasizing the functional and emotional advantages of green products - their characteristics compared to conventional products that meet the same needs of consumers, the company differentiates itself from the competition. That is, the company benefits from the group of customers who are willing to pay a premium price for environmentally friendly products.
Eco-labelling is a tool for identifying products that are ecologically friendly and safe. It informs consumers about the green product and has a beneficial impact on their decision to purchase it. The green label information is based on a study of the product’s environmental impact throughout production, distribution, consumption and disposal. In the Republic of Serbia, according to the Law on Environmental Protection from 2018, the ecological label is determined for products/services whose production, placement, consumption and disposal pollute the environment less, or which are obtained by recycling waste. According to the data of the Environmental Protection Agency, in the Republic of Serbia in 2018, three companies can use the eco-label for seven of their products or groups of products.

The European Union Eco-label is awarded to products/services that meet high environmental standards throughout their life cycle. Defined criteria for obtaining the eco-label promote the circular economy, encourage producers to create products that can be recycled, give guidelines to companies to minimize the harmful effects on the environment.

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of eco-labelled products / services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>17,139</td>
</tr>
<tr>
<td>Italy</td>
<td>13,181</td>
</tr>
<tr>
<td>France</td>
<td>8,347</td>
</tr>
<tr>
<td>Germany</td>
<td>7,780</td>
</tr>
<tr>
<td>Belgium</td>
<td>5,582</td>
</tr>
<tr>
<td>Sweden</td>
<td>5,521</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>5,187</td>
</tr>
<tr>
<td>Portugal</td>
<td>5,109</td>
</tr>
<tr>
<td>Greece</td>
<td>3,559</td>
</tr>
<tr>
<td>Poland</td>
<td>3,175</td>
</tr>
</tbody>
</table>


According to the data of the European Commission for September 2021 compared to March 2021, the number of issuing eco-labels increased by 8%, and the number of products/services that have an eco-label by 7%. In September 2021, a total of 83,590 eco-labelled products or services were registered at the European Union market in 23 product categories. Observed by country, the largest number of eco-labels were awarded to companies in Germany (17%), France (16%), and Italy (15%). The situation is similar taking into account products/services. The large number of products/services that have eco-labels are characteristic of Spain (21%), Italy (16%), France (10%), and Germany (9%). Table 1 shows the countries of the European Union that have the largest number of products/services with an eco-label.

The Global Ecolabelling Network (GEN) is a non-profit association founded in 1994 in Stockholm, intending to provide environmental assistance with the eco-labelling of green products/services. Eco-labels are based on the principles and procedures of the
ISO 14024 standard. The goal of the association is to improve efficiency by transferring acquired experience and information, but also to develop standards and promote eco-labels globally. The Association has 27 full and 10 associate members representing 60 countries (GENMAG, 2021). Based on the established standards, the members of the association define the criteria for the categories of products/services. Table 2 shows the member countries of the GEN Association with the largest number of eco-labelled products/services at the global level.

**Table 2: Member countries of the GEN Association and the number of eco-labelled products**

<table>
<thead>
<tr>
<th>Country</th>
<th>Programme name</th>
<th>Valid standards</th>
<th>Companies participating</th>
<th>Certified products</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>China Environmentally labelling (CEC)</td>
<td>104</td>
<td>3778</td>
<td>800.000</td>
</tr>
<tr>
<td>Netherlands</td>
<td>On the way to Plant Proof</td>
<td>10</td>
<td>1.679</td>
<td>90.079</td>
</tr>
<tr>
<td>European Union</td>
<td>EU Ecolabel</td>
<td>24</td>
<td>1.400</td>
<td>70.000</td>
</tr>
<tr>
<td>Japan</td>
<td>Eco Mark Program</td>
<td>69</td>
<td>1.396</td>
<td>51.493</td>
</tr>
<tr>
<td>Nordic countries</td>
<td>Nordic Swan Ecolabel</td>
<td>61</td>
<td>1.500</td>
<td>29.000</td>
</tr>
<tr>
<td>Chinese Taipei</td>
<td>Green Mark Program</td>
<td>165</td>
<td>354</td>
<td>17.280</td>
</tr>
<tr>
<td>Korea</td>
<td>Korea Eco-Label Program</td>
<td>165</td>
<td>4.289</td>
<td>16.609</td>
</tr>
<tr>
<td>Germany</td>
<td>The Blue Angel Eco-Label</td>
<td>105</td>
<td>1.800</td>
<td>12.000</td>
</tr>
</tbody>
</table>


Green price is an important factor that influences consumer decision-making about buying green products. Compared to conventional products, the price of green products is usually higher. Although environmentally friendly products should not be the basis for higher pricing, the fact is that their production, distribution, and promotion require significant costs. Consumers are willing to pay a premium price for green products because they perceive that the product is environmentally friendly and provides added value. Some consumers, on the other hand, choose an environmentally friendly alternative when deciding on a purchase, without considering the price.

Green distribution means the choice of distribution channels that ensure the availability of products to customers with a minimal negative impact on the environment. The relevant literature states that “green distribution includes all activities undertaken to reduce or eliminate environmental damage during transport” (Cankaya & Sezen, 2019, p. 101). The performance of green distribution is affected by factors such as packaging characteristics, the distance of the manufacturer from the customer, the fuel consumed by the vehicle during transport. To maintain high product quality, manufacturers can market green products through authorized distributors.

The focus of reverse logistics is on the product return from customer to supplier. “It is a key component of green supply chain management, as it helps to reduce waste generated by the handling and disposal of returned and used products” (Banihashemi, Fei & Chen, 2019, p. 3). Reverse logistics significantly contributes to the preservation of the environment by enabling the reuse of packaging and recycled products. Companies that use recycled materials in the production process significantly contribute to the preservation...
of the environment. In addition to saving money, using non-renewable resources in smaller quantities, reducing energy consumption, reducing harmful emissions into the air and water, reducing the amount of waste, allow these companies to create the image of socially responsible company. For example, the fast-food chain McDonald’s was the first to use napkins, boxes, and packaging made of recycled material. It is planned that only packaging made from recycled, renewable, and certified materials will be in use by 2025 (Geier, 2018).

Green promotion refers to the creation of marketing messages that inform consumers how products/services can meet their needs and desires in an environmentally friendly way. “The goal of green promotion is to influence consumers to choose products that do not harm the environment when making a purchase decision” (Thoria, 2018, p. 129). It should be emphasized that it is not allowed to deceive consumers by advertising non-existent “green features” of products (Tolušić, Dumančić, & Bogdan, 2014). By emphasizing the characteristics of products that do not harm the environment and communicating the importance of a green lifestyle, the company seeks to inform consumers about the need to protect and preserve the environment through marketing activities. Having in mind that the benefits of green products are intangible and that consumers cannot perceive them in the short term, communicating their benefits is a challenge for the company. Through advertising and public relations activities, the company can effectively inform consumers about the advantages of green products, and at the same time, can create the image of a socially responsible company in public.

To overcome the lack of consumer information about the need to preserve the environment, the relevant literature states that the company should encourage green promotion through the following (Kinoti, 2011, p. 269):

1. By informing consumers how an environmentally friendly product/service helps to protect the health and preserve the environment;
2. By convincing consumers that due to its performance, the green product/service is superior compared to conventional ones;
3. By choosing the appropriate forms of marketing communication to deliver a marketing message to consumers who are concerned about the environment;
4. By emphasizing the advantages of the green product/service - it appeals to the personal interest of existing and potential consumers.

Under the influence of the concept of green marketing, producers are focused on consumers who are motivated by environmental issues. Therefore, their policy and strategy are directed towards the green economy. The green economy is the result of many years of misallocation of capital. Green economists understand sustainable development as a new ecological-economic paradigm that represents a breaking point in the scientific revolution. The green economy is placed on the function of sustainable development in the literature, although economic growth is often carried out at the expense of the environment. The concept of the green economy aims to change the existing economic system in terms of its transformation into a sustainable one.
Green marketing and sustainable development

Socially responsible marketing, as a component of holistic marketing, is aimed at incorporating economic, ethical, legal, and environmental principles in business. It implies consideration of the interests of the social community or the public and the ethical, legal and social principles as well as context of the social environment. In addition, it includes marketing activities and programs, bearing in mind that the cause and consequences of marketing extend beyond the organization and consumers to society as a whole (Kotler & Keller, 2006).

As a consequence of the development of two separate systems of natural and social development, the ecological crisis began to abruptly escalate. The source of the crisis is the way an individual turns natural capital into private capital. The term sustainable development has been used more intensively since the 1980s, to emphasize the connection between development and environmental protection. In the United Nations Development Study, sustainable development is defined “as development that meets the needs of today’s generation without compromising future generations” (Črnjar & Črnjar, 2009, p. 79).

Despite the critical attitude of some authors that marketing encourages excessive consumption and the growth of the consumerist society, examples of marketing strategies aimed at sustainable development can be found more and more in the literature. “Addressing contemporary environmental problems, new strategies indicate a change in traditional marketing thought the strong commitment and support of the increasingly widespread practice of corporate social responsibility” (Sudarević & Milanov, 2015, p. 657).

Each socio-economic system independently decides how it will manage natural resources and harmonize their scarcity with the needs and desires of individuals. The concept of sustainable development is focused on climate change, combating air pollution, waste management, land protection, and management and water protection. High risks in the field of biological and genetic resources affect the accelerated transition to balanced development, which is implemented through incentive and regulatory measures. In the knowledge economy, this way of doing business means that the costs of environmental protection are included in the price of the final product.

The concept of sustainable development implies the process of balancing economic, social, and environmental requirements to ensure that the needs of present generations are met without jeopardizing future ones. “Sustainability expresses the principle that includes the permanent survival of natural resources, and development means the concept within the social science, which refers to the order of human resources. If both concepts are taken into account together, sustainable development is defined as the relationship between dynamic economic systems and larger ecosystems that are slowly changing and that must be in ecological balance” (Črnjar & Črnjar, 2009, p. 81). Sustainable development achieves its goals through economic development, social responsibility, and environmental protection.

The areas of sustainable development and marketing are basically at odds with each other. Marketing, which aims to increase sales and constant growth, is in contrast to sustainability, which aims to reduce total consumption and acts as a transformational change in society. Sustainable marketing is an approach that represents a bridge
between conventional marketing and sustainability (Rosemeier, 2015). One of the basic preconditions for the proper application of the concept of sustainable development, but also preventive action on the irresponsible behavior of individuals, companies, and regulatory bodies towards the environment, is to enable greater public participation in decision-making in environmental protection (Jančetović, Jovanović & Cvijić, 2012). The concept of sustainable development implies socially responsible business, but also a business that is aimed at preserving and protecting the environment.

Green marketing has influenced a large number of companies from various fields to focus on the production of sustainable products. The best example is the textile industry. To achieve compliance in the textile industry with the concept of sustainable development, it is necessary to incorporate the principles of sustainability in all segments of textile production, starting from design (eco-design, green design, or sustainable design), use of sustainable raw materials, and sustainable production methods to the final disposal or disposal of textile waste at the end of its life cycle.

In the conditions of greater consumer information and greater interest in preserving the environment due to climate change, green marketing is becoming increasingly important. Customers increase their competitiveness in the market. Also, insurance organizations and investment funds strive to create and implement a green strategy in their business activities.

Marketing as a science and discipline is evolving in line with changes in society, changes in the market, and changes in the needs and expectations of consumers who are increasingly interested in the concept of sustainable development. In order to succeed, market participants must react faster to the needs and desires of consumers than their competitors. One way is to adopt sustainable business practices that will help them reduce waste, increase customer satisfaction and loyalty, and thus, enable them to achieve competitive advantage and better business results.

Environmental taxation as a determinant of green marketing

In modern business conditions, taxes are becoming more and more common instruments of environmental protection. The introduction of environmental taxes is not aimed at increasing state budget revenues, but at improving the mechanism of managing the “green economy” and diversifying the instruments of environmental (green) marketing (Stiglic, 2004). This type of taxation is based on reducing negative externalities and is also called corrective taxes.

Environmental taxes are a specific type of economic instrument in the function of solving various environmental problems. They are designed to internalize environmental costs and provide economic incentives to individuals and legal entities to focus on environmentally sustainable activities. Apart from the fact that this type of tax aims to internalize external costs, an important goal of these payments is also financial income - which in some countries is at such a high level that the environment can be financed.

The highest amount of environmental taxes in the period from 2013 to 2019 was recorded in Denmark (21), followed by Italy (10), Sweden, and the United Kingdom (9). The financial income from environmental taxes is the highest in Denmark. The total average share of revenues from environmental taxes is the highest in Denmark (4.08%).
Slovenia (3.85%), Croatia (3.51%), while the lowest average amount was recorded in Lithuania (1.68%), Spain (1.75%) and Slovakia (1.76%) (Ćaušević, 2020). According to Eurostat (2019), the most important category of environmental taxes in the European Union are energy taxes, as much as 77% of total eco-revenues in 2019, and this makes up only 2.7% of the European Union’s GDP.

In the Republic of Serbia, according to the official systematization, ecological compensations are classified as non-tax public revenues. According to the Law on Environmental Protection from 2018, the following types of ecological compensations are represented:

- fee for the use of natural resources paid by the user of natural value for the use of the same, and also bears the costs of rehabilitation of degraded space;
- compensation for environmental pollution, paid by each person who causes the pollution;
- fee for the protection and improvement of the environment, paid by holders of property rights on real estate.

According to the data of the Republic Statistical Office of the Republic of Serbia (Environmental Fees Account, 2019) in 2019, revenues from environmental fees amounted to 223,716.2 million dinars, which is 5.6% more than the previous year. The largest share in the structure of revenues had the categories of energy taxes and taxes in the field of transport (85.9% and 7.1%), while pollution charges for the use of resources participated with 5.6% and 1.5%, respectively. In 2019, the share of revenues from environmental fees in GDP was 4.1%, while the share of total revenues from taxes and social contributions was 11%. Tax revenues in 2018 amounted to 211,825.5 million dinars. The categories of energy taxes and taxes in the field of transport had the largest share in the structure of revenues. In 2018, the share of tax revenues in the field of environmental protection in GDP was 4.2%. The value of tax revenues in 2017 amounted to 195,906.2 million dinars and the largest share in the structure of revenues had the categories of energy taxes and taxes in the field of transport (85.6% and 7.1%, respectively), while pollution taxes and taxes on resource use participated with 5.6%.

Graph 1: Revenues from taxes in the field of environmental protection

![Graph](https://example.com/graph1.png)

*Source: According to Republic Bureau of Statistics, author’s processing*

The total costs of environmental protection in 2020 amounted to 46,698.1 million dinars, while the share of investments amounted to 18,470.6, and the share of costs for
environmental protection in the gross domestic product amounted to 0.8%. During 2019, the total environmental costs amounted to 42,367.8 million dinars, while the share of GDP remained the same and amounted to 0.8%. In 2018, the total costs of environmental protection were 10.7% lower than in the previous year and amounted to 38,266.7 million dinars.

Graph 2 shows that from 2018 to 2020, investments in environmental protection tend to grow, which suggests the importance of this issue in the overall development of the national economy.

Graph 2: Costs for environmental protection

The lack of adequate control of local self-government in the spending of funds for environmental protection is a major obstacle in the Republic of Serbia. Due to unforeseen sanctions, a large number of local governments do not submit plans to spend these funds to the competent ministry. The goal of environmental taxation is to eliminate market imperfections which would reduce the production and consumption of environmentally harmful products. The introduction of environmental taxes requires the implementation of financial system reform and education of the final consumer. Practice shows that, if there is no penalty for environmental pollution, the economic entity is not motivated to reduce pollution on its own.

Conclusion

In modern business conditions, it is imperative to preserve the environment and rationally use of available resources. By implementing the concept of green marketing, companies strive to minimize the negative effects of their activities on the environment, to differentiate themselves in the market, and to achieve a competitive advantage on that basis. In addition to the segmentation of the market, creating an adequate marketing mix, it is also necessary for the state to influence economic entities to behave rationally through incentive measures.

Marketing activities are often seen as a part of environmental problems. The interest and concern of consumers for the preservation of the environment have contributed to companies applying ecological principles to a greater extent in their business. Companies whose offer is aimed at the segment of consumers who express concern for the environment should identify the motives of “green consumers” to buy
products. By understanding the needs of “green consumers” and creating an offer that respects their requirements, the company achieves competitive advantage in the market.

The opinion of some authors, at the end of the last century, was that investments in environmental protection are a compromise economic growth. Today, however, these two categories are linked in many ways and the fact is that preserving and protecting the environment will contribute to greater economic growth. By creating products and applying production processes and materials that respect environmental requirements, the company minimizes the negative effects on the environment. Improving the environmental performance of companies, defining an adequate strategy, creating an organizational culture that respects environmental principles, changing regulations, and educating consumers also contribute to more efficient environmental management.

References


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