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PRODUCT DIFFERENTIATION AND BRAND LOYALTY THROUGH CARBON MANAGEMENT – REALITY CHECK

Prof. Rajib Chandra Kumar
Director, *Knowgen Education Services Pvt. Ltd.*
Adjunct Faculty, *EIILM (Kolkata)*

Prof. (Dr.) Rajib Kumar Das
Associate Professor, *EIILM (Kolkata)*

ABSTRACT

Carbon Neutrality and Green Marketing: The growing acceptance of sustainability strategies is a "new normal" amongst companies that seek avenues for lessening their carbon footprint. By endorsing carbon-neutral products or services, businesses have the prospect of differentiating themselves in the market, building brand loyalty, and attracting environmentally conscious consumers, thus increasing market share and profitability. Such companies can easily earn a global positioning over time.

The paper explores the key drivers for these initiatives. Are Carbon Neutral Products able to manage to maintain profitability like before? What does the available data say? Do studies in conformance with the conventional wisdom that the percentage of "environmentally conscious" customers is on the rise in India? Is the Paradigm Shift economically viable under these circumstances? The paper intends to find the right answers.

Is the "environmentally less conscious /not conscious or indifferent" the dominant group in Indian markets, according to studies? If yes, are companies adopting "green" techniques going against the basic tenet of marketing orientation - understanding customer needs? If not, what has prompted such a transformation in the mind of the consumer? The paper shall review secondary literature to find answers.

Key Words: *Carbon Neutrality, Green Marketing, Sustainability, Carbon Footprint, Brand Loyalty, Profitability, Environmentally Conscious Consumers, Consumer Learning*

1. INTRODUCTION: RISING CASE OF EMBRACING SUSTAINABILITY

Companies are progressively embracing sustainability strategies to lessen their carbon footprint. By endorsing carbon-neutral products or services, businesses can seemingly differentiate themselves in the market, build brand loyalty, and attract environmentally conscious consumers, thereby increasing market share and profitability.

Such companies can easily earn a global positioning over time. What is the real picture on this? This paper aims to review relevant literature in search of answers to some obvious questions. What are the cost implications of these green initiatives, and is the assumed (increased) customer support able to address these costs?

And in the Indian context, where does the “green indifferent” lot stand? What is the customer response therein?

The impact of environmental issues on the growth of marketing activities, as argued by **Winston and Mintu-Wimsatt (2013)**, is an area of interest for marketing experts and counsellors and they intend to learn them. However, it is not a newly emerged area of research. The relationship between natural environment and consumer behaviour and marketing strategy, and public policy plans, as observed by **Sarkar (2008)**, has been an area of interests for an extensive number of marketing fields that have conducted investigation this particular area. Green marketing was developed specifically for the recognizing and appealing to the growing conscious about socio-environmental issues amongst consumers. As per **Rawat and Pande (2024)**, With the demand side of business where eco-aware consumers represent a key opportunity, the green marketing strategy has been developed.

2. SUSTAINABILITY FRAMEWORKS

Researchers reviewed literature and underpinned several key theories and frameworks related to sustainability and marketing:

i. Triple Bottom Line (TBL): **Epstein and Roy (2001)** explored how organisations report on their sustainability performance, leading to a more comprehensive understanding of how businesses impact—and in turn are impacted by—social and environmental factors which is an improvisation on previous work on this framework which, suggests the consideration of three dimensions by sustainable marketing. These dimensions are environmental, social, and economic performance. The notion of going beyond traditional profit-focused approaches and balancing the interests of 3Ps (people, planet, and profit) are two vital domains in the area of sustainable marketing. This framework has been evaluated by experts and researchers over the decades. Its dramatic contribution towards providing guidance for organisations in the process of integrating sustainability with their marketing strategies cannot be ignored.

ii. Green Marketing Mix: In view of classical perspective, it is argued by **Kilbourne (1998)** that the concept of green marketing is built upon four Ps. They are product, price, place and promotion. For adhering to the principles of green marketing, the companies are suggested to undertake a variety of activities related to the creation of sustainable products, establishment of environmentally responsible pricing and utilization of green distribution networks. In addition to these, companies are suggested to ensure the employment of promotional strategies with elevated thrust on eco-friendly communication strategies. This framework, as per **Lopes *et al.* (2024)**, offers a holistic method for ensuring that sustainability is embedded into marketing strategy and choices.

Abzari *et al.* (2013) also placed emphasis on the Green Marketing Mix. In an effort of fostering an economy, which is more sustainable, it is important to introduce an array of innovative green products and technologies. This issue manifests across various industries through the guiding principle of "design for the environment". A highly integrated process is required for effective and environmentally responsible production and the quality of this process is attributed to various favourable factors, such as robustness in communication, reliability of data and precise attention to conceptions of the environment. In addition to these, support from the top leadership and tailoring a feasible methodology for the evaluation and benchmarking are required. Given that every organisation is equipped with a unique marketing mix, the innovative application of Green 4Ps while upholding the fundamental principles of green marketing is a vital challenge for marketeers.

Findings from the study conducted by **McDonald and Oates (2006)** made revelation about the positive views of most of the consumers on sustainable marketing strategies and it had been observed that they would support companies that emphasize environmental responsibility in their efforts aimed at marketing promotion.

3. GREEN MARKETING IS A SOCIAL PROCESS

Of late, societies across the globe, as observed by **Appannagari (2017)**, have acknowledged the escalation of the environmental issues which are attributed to rising environmental pollution emitted by industrial plants. This awareness prompts organisations to embrace environmental responsibility.

Fundamentally, an organisation comprises individuals who suffer from the accumulation of individual problems at the corporation's level. In light of the perspective of neoclassical economics, organisations are responsible for the creation of value for shareholders; however, many experts and scholars emphasise on the significance of more broader and comprehensive performance metrics. Researchers like **Hull and Rothenberg (2008)** have explored how other factors, such as innovation and industry characteristics, can moderate the relationship between Corporate Social Performance and financial performance. The main topic is about the definition of value from what it has been created.

People and groups make use of green marketing with the objective of ensuring that their needs and demands are satisfied through an ethical method. This ethical method's application, as per **Jahdi (2006),** contributes to lessening the negative impacts on the environment through the substitution of the products and their value.
The surge in demand for ecological business products arises from heightened consumer consciousness of ecological concerns. Companies, as argued by **Ottman (2017)**, are motivated to implement greener initiatives and adopt resilient marketing strategies when they identify the positive impact of environmental factors on buying patterns of customers and promotion of sustainable consumption. However, there are certain benchmarks based on which companies gauge the strategic benefits of green initiatives and understand the necessity of adopting resilient marketing strategies. They are current green marketing demands, prioritizing foresight, fairness, equality, and future generations' wellbeing.
Insights from this research underscores the positive impact of sustainable marketing strategies on consumer actions and corporate outputs. Fostering consumer trust and allegiance by brands requires clear articulation of environmental stewardship.

Nevertheless, a comprehensive strategy that accounts for diverse stakeholder priorities is required for tackling challenges and harmonizing profits with sustainability.

4. SUSTAINABILITY AND PROFITABILITY

For example, the roles of green banks, as per **Lalon (2015)**, are worth mentioning when it comes to allocating funds for the success of projects related to solar power installations. In view of their positive contributions towards ecological preservation, funds are frequently allocated for this type of project

Furthermore, the roles of green banking, as said by **Gupta (2015)**, cannot be ignored when it comes to fostering paperless transactions which results in shrinking the operational costs of financial activities and augmenting environmental sustainability. With the alleviation of the banking sector's ecological footprint by green banks, a more sustainable and environmentally responsible future is paved.

Green marketing is an interesting topic of worldwide interest. In accordance with Google Trends' report, comparatively, India has the highest number of searches for "green marketing" relative to other countries.

The adoption of green has become a "new normal" for many corporations that seeks to capture and capitalize the market opportunity of green marketing in some cases. Their examples are given below with descriptions:

i. EXAMPLE 1: Best Green IT Project: State Bank of India: Green IT@SBI

SBI has been able to achieve its objectives related to saving power costs and earning carbon credits through the use of eco and power-friendly equipment in its 10,000 new ATMs thereby resulting in setting the example to be followed by others.

With the introduction of a "Green Channel Counter" service, SBI has been able to promote eco-friendly banking. The SBI's efforts aimed at achieving sustainability goals encompass the introduction of paperless transactions, elimination of the need for deposit slips, withdrawal forms, cheques or cash transaction forms. In addition, SBI ensured the all of its services are accessible through SBI shopping and ATM cards. In addition to these, SBI is ranked first amongst all Indian banks in terms of harnessing wind energy through a Coimbatore-based 15-megawatt wind farm developed by Suzlon Energy.

The wind farm is spread across three states – Tamil Nadu, with 4.5 MW of wind capacity; Maharashtra, with 9 MW; and Gujarat, with 1.5 MW. The wind energy project, as informed by **Sahu and Singh (2016)**, is the initial step of the State Bank of India towards undertaking green banking initiative with focus on reducing its carbon footprint and encouraging energy-efficient practices amongst its customers.

ii. EXAMPLE 2: Best Sustainability Initiative: Kansai Nerolac's Lead-Free Paints for Health and Environment

Kansai Nerolac Paints Ltd.'s consistent efforts aimed at prioritizing the well-being of society and the environment are worth appreciating. The company's initiatives in education, health, community development, and environmental conservation, including offering lead-free paints are examples of its commitment towards corporate social responsibility and sustainability.

Kansai Nerolac's commitment towards sustainability is understood in light of its efforts aimed at the elimination of harmful heavy metals from paints. In view of the negative impact of toxic metals (such as lead, mercury, chromium, arsenic, and antimony) on human health, the company undertook this initiative. Lead in paints is particularly harmful, potentially damaging the central nervous system, kidneys, and reproductive system. Children are especially vulnerable to lead poisoning, which can result in reduced intelligence and memory impairment.

iii. EXAMPLE 3: Best Green Fuel Initiative: Indian Oil's EURO-III/IV Compliance and Eco-Friendly Investments

Green Initiatives

- ❖ Indian Oil is fully prepared to achieve the target of reaching EURO-III compliant fuels to all parts of the country by the year 2010 with major cities upgrading to Euro-IV compliant fuels by the same year
- ❖ Indian Oil has made investment of about Rs. 7,000 crores so far in green fuel projects at its refineries; ongoing project accounts for a further Rs. 5,000 crores.
- ❖ The R&D Centre of Indian Oil has placed emphasis on developing eco-friendly biodegradable lube formulations.
- ❖ The Centre has been able to earn ISO-14000:1996 certification for its environmental management systems (**Mishra & Sharma, 2010**).

iv. EXAMPLE 4: Carbon Neutral Milestone: Apple's 2020 Operations and 2030 Value Chain Commitment

Carbon Neutral Operations: Apple has been able to reach carbon neutrality for its global corporate operations in 2020 through a combination of renewable energy and carbon offsets.

Carbon Neutral Products and Supply Chain by 2030: Apple has pledged to achieve carbon neutrality across its entire value chain, encompassing product manufacturing, use, and recycling, by 2030. This commitment involves innovative measures like planting trees in vital mangrove forests to offset emissions.

Differentiation: Consumers are likely to be drawn to Apple's commitment to sustainability efforts which involve reducing its carbon footprint across its products' lifecycles. These consumers value ethical sourcing and environmental responsibility.

Brand Loyalty: Apple's transparency and proactive measures to address climate change are useful in terms of help cultivating a loyal customer base that aligns with initiatives aimed at improving the brand's sustainability.

Consumers, as argued by **Yan (2019)**, attribute certain psychological connections and qualities to brands with functional benefits, emotional value, and symbolic significance being encompassed. This is referred as brand association which impacts a brand in a positive way in terms of helping it differentiate from other competitors and contributes to boosting brand equity by increasing consumer preference and perceived value (**Srivastava, 2017**). In this context, the research study of **Faircloth *et al.* (2001)** is worth mentioning as per whom brand positioning is reinforced effectively through strong brand associations.

v. EXAMPLE 5: Walmart and H&M

Walmart has integrated sustainability into its omnichannel strategy through initiatives like the “Sustainability Index,” which evaluates the environmental impact of its products. By leveraging its omnichannel framework, Walmart enhances transparency and promotes sustainable products more effectively.

H&M demonstrates its commitment to sustainability through its omnichannel approach. The company allows customers to return online purchases at physical stores, reducing the environmental impact of returns. Additionally, H&M emphasizes the use of recycled materials in its products across all retail channels.

From a practical perspective, understanding how brand equity mediates the relationship between sustainability and omnichannel operations is crucial. Real-world examples show that brand equity, driven by sustainability, can significantly enhance the success of an omnichannel business. For instance, Patagonia has built its brand reputation on sustainability through ethical sourcing, fair trade practices, and environmental advocacy (**Chouinard & Stanley, 2022**).

vi. EXAMPLE 6: IKEA

Climate Positive Target: IKEA has aimed to become "climate positive" by 2030, meaning it removes more carbon than it emits, and ultimately net zero by 2050 (**Climate Action, 2024**).

Sustainable Sourcing: A significant portion of IKEA's materials, including cotton and wood, are sourced from sustainable farmers.

Renewable Energy Investment: IKEA has invested heavily in renewable energy projects, producing more energy than it consumes.

Differentiation: IKEA differentiates itself in the furniture market by offering sustainable products made from recycled and sustainably sourced materials, appealing to eco-conscious consumers.

Brand Loyalty: IKEA's long-standing commitment to sustainability echoes with environmentally aware customers, raising loyalty and trust in the brand.

5. DATA SUPPORTING THE PROFIT-DRIVEN BENEFITS OF SUSTAINABILITY

Numerous studies and real-world examples suggest a strong link between implementing sustainable practices and achieving positive financial outcomes for businesses.

i. Operational efficiency and cost savings: Sustainable practices can lead to lower operational costs: Implementing various initiatives, such as use of energy-efficient technologies, resource use’s optimization, and embracing circular economy principles (like waste reduction and recycling) can result in significant cost reductions and improved profitability.

For example, Puma ascribes monetary value to environmental effects to identify cost-saving opportunities and strengthen stakeholder trust. IKEA attained a 24.3% reduction in its climate footprint between 2016 and 2023 while growing revenue by 30.9%.

ii. Enhanced brand reputation and customer loyalty: Increased consumer awareness and preference for sustainable brands: Consumers are increasingly willing to pay a premium for products from companies with strong ESG (Environmental, Social, and Governance) commitments.

Sustainability can be a powerful differentiator in the market, attracting new customers and strengthening brand loyalty.

Studies indicate that strong ESG performance and sustainability initiatives enhance a company's appeal and increase customer retention rates.

iii. Risk mitigation and resilience: Sustainability strategies can mitigate various risks: Businesses focused on sustainability are better equipped to navigate regulatory changes, climate risks (like supply chain disruptions from extreme weather events), and reputational damage associated with unsustainable practices.

Proactively addressing environmental regulations and adopting responsible practices protects businesses from financial penalties and reputational harm.

Companies with higher ESG performance and integrated sustainability practices are perceived as less risky and more forward-thinking by investors.

iv. Attracting investment and access to capital: Growing investor interest in ESG and sustainable investments: Investors are increasingly giving more focus on directing capital toward companies with clear ESG strategies and strong sustainability commitments.

Sustainable companies are often seen as more innovative and forward-thinking, attracting investors focused on long-term value and responsible growth.

Strong ESG performance can improve access to capital, as financial institutions consider ESG factors when evaluating loans or investments.

v. Innovation and competitive advantage: Sustainability can drive innovation: Companies seeking to reduce their environmental impact are undertaking various activities ranging from developing new materials to leveraging technologies like AI to optimize operations, improve resource efficiency, and enhance supply chain transparency.

Investing in sustainable products and services allows companies to capture new market share in emerging industries like renewable energy and sustainable packaging.

In essence, the data suggests that embracing sustainability is not merely a social responsibility but a sound business strategy that can enhance financial performance through cost savings, increased revenues, improved risk management, and attracting investment and talent. Companies that prioritize sustainability are increasingly better positioned for long-term success and growth in an evolving global marketplace where environmental and social considerations are becoming central to both consumers and investors

In 2019, Unilever's "Sustainable Living Brands" demonstrated their competitiveness by outperforming its other business segments, achieving 69% growth faster and contributing 75% to the organisation’s overall growth (**Luo, 2020**). By aligning with brands like Dove, Lipton, and Knorr with strong environmental and social purposes, Unilever has successfully met the demand for ethical consumer goods.

Since 2012, Natura has doubled its revenues by ethically sourcing sustainable ingredients while committing to environmental and social outcomes (**Chatwin & Bacq, 2025**). The company has shown that protecting the environment can generate economic value.

6. CONCLUSION

In view of entire discussion, the factuality of companies' inclination towards progressively embracing sustainability strategies with the objective of reducing their carbon footprint is therefore cannot be denied. Differentiation of businesses in comparison to their competitors in the market becomes a reality with the endorsement of carbon-neutral products or services. In addition to this, businesses are able to achieve success in terms of building brand loyalty, and attracting environmentally conscious consumers through embracing sustainability strategies thereby resulting in the increase in market share and profitability.

This has been validated through the data available in the public domain from several establishments. Such companies can and are easily earning a global positioning over time. It is no more a matter of intuition; it's a reality.

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