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Do green marketing programs pay off? An empirical study of Chinese textile and apparel companies

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The accelerated deterioration of the natural environment has become a serious challenge to economic development. Governments, firms, and consumers in a variety of countries are currently shifting their focus from simply evaluating the economic benefits of an activity to making choices that more broadly reflect environmental responsibility (Kotler, 2011). Such widespread attention underscores the growing interest in recent sustainable development research. Despite the resultant managerial interest, few empirical studies have examined sustainability issues in firm marketing strategy (Leonidou et al., 2013). As a result, knowledge about green marketing practices and their impacts on firm performance remain limited for both academics and industrial practitioners.

Green marketing is defined as the holistic management process responsible for identifying and satisfying the needs of customers and society, in a profitable and sustainable way (Dahlstrom, 2011). Green marketing programs refer to “those that are designed to accomplish the firm’s strategic and financial goals in ways that minimize their negative (or enhance their positive) impact on the natural environment” (Leonidou et al., 2013, p.153). This meshes with the view that each of the marketing program components, namely product, price, distribution channels and promotion, can be designed and executed in ways that are more or less harmful to the natural environment (Kotler, 2011). In the context of Chinese textile and apparel industry that has been in a progressive transition towards “green” business in recent years (Chi, 2011), we proposed and tested a theoretical model that predicts the role of green marketing programs (i.e., product, price, distribution and promotion) in influencing firm product-market performance and financial performance and the conditional effects (i.e., degree of internationalization (DOI), firm size) that moderate the relationships. The proposed model is illustrated in Figure 1 that also shows all the hypotheses.

![Figure 1: Proposed Green Marketing Programs -- Performance Model](image-url)

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Green product programs refer to product-related decisions and actions with the purpose to protect or benefit the natural environment by conserving energy and/or resources and reducing pollution and waste (Danjelico and Pujari, 2010). Green pricing programs are pricing practices that account for both the economic and environmental costs of production and marketing while providing value for customers and a reasonable profit for company. Green distribution programs relate to actions of monitoring and improving environmental performance in the firm’s supply chain (Leonidou et al., 2013). Green promotion programs refer to communications designed to inform stakeholders about the firm’s efforts, commitment, and achievements toward environmental protection (Belz and Peattie, 2009). The firm product-market performance is measured by sales volume, sales growth, market share, and customer retention. The financial performance is measured by return on assets (ROA), return on sales (ROS), and return on equity (ROE). Firm size is reflected by number of full-time employees. Degree of internationalization is measured by the share of exports in a firm’s total sales.

A two-phase mail survey through a market research company was utilized for collecting the primary data during August to December 2016. In the first wave, senior marketing managers in 1,000 Chinese textile and apparel companies were contacted and solicited to participate in the survey, which contained demographic questions and the questions regarding green marketing programs, firm degree of internationalization and firm size. We received 237 usable responses. Three months later, we contacted the respondents from the first survey to gather the data on the firm's product-market performance and financial performance. We received 196 complete responses (19.6% final response rate). This data collection method helps eliminate the biases due to common method variance (Mariadoss et al., 2016). Factor analysis and structural equation modeling were utilized for data analysis and hypothesis testing.

The results show that green product, pricing, promotion and distribution positively affects firms’ product-market performance ($\beta=0.47$, $t=5.81$; $\beta=0.39$, $t=4.18$; $\beta=0.23$, $t=2.77$; and $\beta=0.17$, $t=2.36$ respectively) while green product, pricing and distribution directly result in positive firms’ financial performance ($\beta=0.37$, $t=4.06$; $\beta=0.25$, $t=3.33$; $\beta=0.19$, $t=2.01$, respectively). Firm’s product-market performance positively affects its financial performance ($\beta=0.45$, $t=5.72$). Firm degree of internationalization positively moderates the relationships between green product and promotion and firms’ product-market performance ($\beta=0.16$, $t=2.31$; $\beta=0.25$, $t=2.62$) and the relationships between green product and distribution and financial performance ($\beta=0.28$, $t=3.75$; $\beta=0.20$, $t=2.52$). Firm size doesn’t show significant moderating effect on any relationships between green marketing programs and firm performance. The findings from this study provide important implications for firms in terms of where and how they should expect to gain payback benefits from investments in green marketing programs.

Select References (other references provided upon request)