



# Green marketing' functions in building corporate image in the retail setting<sup>☆</sup>



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## ABSTRACT

This study explores the relationship among green marketing, corporate image, and purchase intentions in the retail setting from a consumer perspective. A total of 389 usable questionnaires are obtained from female consumers who are major customer at the selected retailer (e.g., department stores) in Seoul, Korea. Data analysis was conducted using confirmatory factor analysis and structural equation modeling via LISREL 8.8. Findings confirm that corporate images consist of three factors: social responsibility, product image, and corporate reputation. In an estimated model, the green marketing has a direct effect on the social responsibility and product image. In particular, the factor of social responsibility plays an important role as mediator in the effect of green marketing on product or corporate reputation. Of the three factors of corporate image, product image and corporate reputation have a direct effect on purchase intentions, whereas social responsibility has an indirect effect on purchase intentions in the retail setting. This study discusses managerial implications for a strategic marketing performance through building corporate images on a basis of green marketing.

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## 1. Introduction

Today, the world challenged by the disrupting ecosystem concerns about how to utilize environmental and natural resource for accelerating industries with “green” engine. Accordingly, consumers become more socially responsible to the environment, which leads to socially responsible consumption, such as saving energy, buying eco-labeled products, sorting waste or recycling (“Green marketing”, 2010; Haanpää, 2007; Hartmann & Apaolaza-Ibáñez, 2009). As more businesses trade in foreign countries, they see the need to establish their reputation as good citizens in engaged countries (Chapple & Moon, 2005). Further, the increase in global business watchdogs (e.g., NGOs and ethical investment firms) and in standards of business practices has forced companies to be more involved in CSR in the global marketplace (Chapple & Moon, 2005).

Likewise, Korea in Asia is one of the leaders taking the initiative and positioning to capitalize on a shift in policy and growing consumer awareness for green consumption (“Green purchases”, 2009). Particularly, Korean government with vision of “green growth” pays a special attention to environmental sustainability, such as energy saving, green or eco-friendly consumption. Given this situation in the market, more companies than ever before, including department stores such

as Lotte, Shinsegae, and Hyundae endeavor to initiate their strategic actions in socially responsible manner with emphasis on the eco-friendly products to facilitate green consumption (“Eco-friendly”, 2010; “Lotte Department Store”, 2009). The pervasive belief among consumers that green consumption is an imperative in everyday life as well as global communities reflects this trend. Therefore, a consumer's perception of green marketing becomes more critical to sustain a corporate image in a favorable way than that of traditional marketing in the consumer market.

Despite the popularity of green marketing as strategic initiative in Korea, little is known about its impact on consumers' reactions in the retail setting. Several researchers and practitioners in Korea focus mainly on economic condition (e.g., GDP) and its relation to energy efficiency, and industrial CO<sub>2</sub> emissions in manufacturers (Jin, 2007; Kim, 2002; Kim & Seol, 2007; Lim, Yoo, & Kwak, 2009; Oh & Lee, 2004; Park & Heo, 2007). They demonstrate that economic growth supports industrial sustainability practice on a macro basis, implying that an energy conservation issue is feasible without compressing economic growth in the long run. Otherwise, many retailers given green marketing are motivated to act in a socially responsible manner not only for their ethical obligations but also for marketing performance resulting from consumer response to corporate social responsibility (CSR) initiatives in Korea. Therefore, marketers need to understand the function of consumer's perceived effectiveness in mapping strategic marketing in the retail venue.

From a consumer perspective, one stream of corporate social responsibility (CSR) in literatures and in practices is an understanding of the function of consumers' awareness of green marketing, in which the marketing theme affects corporate identity associated with CSR, and in turn buying products or the intentions of using the

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product (Rios, Martinez, Moreno, & Soriano, 2006; Schwepker & Cornwell, 1991; Wan & Schell, 2007; Yoon & Suh, 2003). Identifying consumers with different sensitivity to environmental matters is argued for building strategic marketing performance (Anderson & Cunningham, 1972; do Paço, Raposo, & Filho, 2009; Ha, 1999); subsequent research studies more empirically approaching to understand the value of green marketing and its impact on consumer's perceptual and behavioral disposition toward a retailer, in turn leading to retail sales (Berens, van Riel, & van Bruggen, 2005; Miles & Covin, 2000; Wan & Schell, 2007).

As perceptual focus on retailer's green marketing, this study explores how green marketing can build corporate image from a consumer's perspective in the selected country (e.g., Korea). Specifically, objectives of this study are to identify underlying dimensions of corporate image as perceived by consumers and to estimate structural relationship among the awareness of green marketing, corporate image, and purchase intention in the retail setting. This study can help retailers map a positioning strategy on green business way to promote corporate identity and culture. Also, this study provides an opportunity to identify the potential success applications into cause-related marketing for socially responsible program at the entry level in the global marketplace.

## 2. Literature review

### 2.1. A Korean perspective for green marketing

Traditionally, corporate social responsibility (CSR) is an important issue on environments, human right, labor, consumerism, and community (Rhee, Lee, & Cho, 2005; Shim, 2009; Sung, 2003). As a corporate socially responsibility, green marketing refers to “the holistic management process responsible for identifying, anticipating and satisfying the needs of customers and society, in a profitable and sustainable way” (do Paço, et al., 2009, p.18).

In fact, a topic of green business studies rigorously in Western countries but relatively little focuses on Asia. Especially, consumer's awareness and purchase behavior relevant to social responsibility or ethical behavior are barely discussed in Asia assuming that it is Western phenomenon because the emergence of CSR is a function of economic and social development (Chapple & Moon, 2005). Notably, the Korean economy has been in growth mode since the financial crisis in the late 1990s (Bang, Raymond, Taylor, & Moon, 2005). Since Korea has initiated ethical consumption on the health area in 1946, the country is expanding social responsible consumption to environmental (e.g., eco-friendly product for LOHAS) areas (“From health”, 2009).

Several literatures support the Korean consumer's awareness; for instance, Cho and Hong (2009) classify CSR types into philanthropic foundation, monetary donation, and voluntary activities by company employees, cause-related marketing and sponsorship. Of them, Korean consumers have higher awareness of monetary donations (39.9%) and cause-related marketing and sponsorships (28.3%) than the others. Especially, Korean consumers tend to have positive attitude toward CSR activities (Cho & Hong, 2009). In Nam and Yeo (2007)'s study, CSR consists of five categories: economic responsibility, social contribution, environmental protection, community/cultural service, and consumer protection. For those categories, the perception of CSR is not different between companies and consumers. However, consumers' priority to CSR categories is more highly scored than in companies' priority.

Socially responsible purchasing in Korea is an underlying theme by “green consumption” on saving energy or resource, recycling products, and eco-friendly products (“Green purchases”, 2009; Hwang & Song, 2008; Yoo & Kwak, 2009). Korean consumers are trying to purchase the products which are able to save energy and resources, and choose the store which provides or rents recycled shopping bag (“Green

purchases”, 2009). Environmental concerns and the consumer demand for green products are driving forces behind the resurgence of green marketing, reflecting the importance of consumers' perception in a successful green business.

In this connection, many companies in Korea seek to map competitive strategic thinking and survive in the newly emerging concerns in their marketing decision making. For example, Korean steelmaker Posco has its own “ethical day” on date of 6 and 2 in each month, that is, pronounced like “YoonRhi (Ethics)” in Korean, reflecting philosophy of ethical business for positive effects on the company (“Good firm”, 2009). In particular, retailers are actively involved in green campaign on “No plastic shopping bag” and “No flyer” and “labeling low CO<sub>2</sub> index” at department stores in Korea (“Eco Lady”, 2009). For examples, Lotte department store provides “100% recycle shopping bag” and flyer through online or iPhone in order to save paper. Sinsegae also takes action to promote Green Office Movement for no use of disposable cup and printed paper, or collaboration with designer for eco-bags. Other evidence increasingly suggests that department stores using green marketing actions have a competitive advantage in creating their corporate image in the Korean marketplace.

### 2.2. Green marketing and corporate image

The idea of a corporate image is a continuing topic of interest among researchers and practitioners for the marketing management. Corporate image refers to the net result of knowledge, beliefs, ideas, feelings, or impressions about an organization (Furman, 2010; Wan & Schell, 2007). The corporate image is inherently a composite product of various factors which reflect and communicate the identity of an organization (Karaodmanoglu & Melewar, 2006; Moon, 2007). The corporate image is often interchangeably with “corporate reputation” and “corporate identity” as customers perceive all aspects of a business (Kang & Yang, 2010; Karaodmanoglu & Melewar, 2006; Keh & Xie, 2009). In the context of green marketing, the concept of corporate image is also relevant to corporate association, in which socially responsible programs strongly affect consumers' attributions of corporate image, and in turn corporate outcome (Berens et al., 2005; Ellen, Webb, & Mohr, 2006). Therefore, an important mission of green business is to establish a favorable corporate image construct determined by consumers.

As a social responsible effort, green marketing can be one of the effective tools to reinforce corporate image because it portrays an image of a company as responsive to the needs of the society. According to Environics International CSR Monitor, corporate social responsibility (49%) is the most important factor affecting consumer awareness of corporate image, followed by brand quality and reputation (40%) and company's fundamentals (32%). Academic studies also offer support for their impact on corporate image or reputation as perceived by consumers (Brown & Dacin, 1997; Fombrun & Shanley, 1990; Maignan & Ferrell, 2004; Sen & Bhattacharya, 2001; Wansink, 1989). For instance, CSR practice has a significant effect on corporate identity, such as corporate expertise and corporate social value (David, Kline, & Dai, 2005). Ellen et al. (2006) also suggests that CSR effort is critical to predict corporate reputation when consumers are familiar with the corporate socially responsible actions.

In addition, CSR association positively influence product or brand evaluation of quality attributes, which lead to overall corporate image (Ko, Taylor, Wagner, & Ji, 2008; Lee, Hsu, Han, & Kim, 2010; Moon, 2007). Especially, product quality still remains the highest priority feature of corporate image in customer care and CSR (Crane, 1997; Sudhaman, 2004). For instance, Lee et al. (2010) confirms that quality attributes have a significant impact on overall corporate image. Similarly, Berens et al. (2005) identify that corporate social responsibility influences product quality and reliability.

With respect to green marketing, literatures may ascribe to the three elements of corporate image encompassing “social responsibility,”

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