

Consumer Centric Business Models as an Approach for Increasing Market Share of Green Companies on the Romanian Market

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Abstract— *The awareness of the consumers on the Romanian market, especially in the urban population, regarding the importance of using renewable energy and the necessity of transitioning towards a green economy is increasing. Nevertheless, the consumers are still reluctant to inform themselves regarding the companies they purchase from. Therefore, a difference arises between the willingness to acquire goods from green companies and the availability to inform themselves about the specific indicators. This research underlines the share of consumers which fit in this category using qualitative methods – analysis of a questionnaire and proposes the consumer centric business model for green companies as a method of increasing their market share.*

Keywords— *Green consumers / business models / development / consumer-centric / green economy / Romania.*

I. INTRODUCTION

The traditional method for developing a business model follows an “inside-out” approach [1] and starts from the costs and resources available for the creation of goods while the communication with the customer represents a secondary step [2].

But on a market with continuously changing dynamics, outstanding technical development and intensifying competition which in turn led to an increase in the bargaining power of buyers, businesses need to adapt their approach in developing their business models in order to create or maintain their competitive advantage [3].

The context which is discussed in this paper concerns the transition to green economy, which is an important political and economical factor in the development of any business model for companies, especially in markets within the European Union, who has set the year 2050 as target to successfully complete this transition.

This paper offers an insight of how shifting towards a consumer-centric business model can increase market share of green companies on the Romanian market.

II. LITERATURE REVIEW

A business model adapted to the current market conditions must either satisfy a market need, bring to the market a new technology or create new products or new services. In extreme cases, it can change a market or create a new one [4]. When developing a business model some external factors must be considered, which directly influence the company, like political, legal and technological environment or the socio-economic context. Moreover, the business model must be

continuously monitored after development in order to ensure the quality of the products or services provided and must continuously adapt to the changing market conditions [5].

A consumer-centric business model considers the customers' requirements as a determinant in the value creation process of the company. Therefore, the customer is considered at the beginning of the process when developing the business model [6].

The value creation step of the development process is the point at which consumers' expectations are considered and they are generally expressed through their willingness-to-pay for a certain product or service [7].

For a company, proposing a new product or convincing the consumer to make a purchasing decision requires a thorough analysis of the market segment they activate on and of the consumer requirements. Only after the consumer behaviour is analysed, a marketing strategy can be developed in accordance to the business model of the company [8].

A key transformation which also shapes the behaviour of consumers nowadays is represented by the transition towards a green economy.

The development of green economy strategies and the transition towards the use of green economy models has become necessary nowadays given the negative impact of the conventional economic models on the environment [9]. It not only needs to be considered when developing a business model, but also in the analysis of the consumer behaviour when developing a strategy.

The concept of transitioning to a green economy is based on a low-carbon model, which aims to have low energy consumption levels and high energy efficiency while reducing pollution and emissions, whereas at the same time helping to improve human life [10].

The above mentioned transition has affected the consumption model, by making green products and sustainable consumption a concern for consumers around the world. Green consumption is a key development of consumer behaviour, as they are essential for ensuring this transition will be successful, as they have the power to choose between green and conventional products and services [11].

Therefore, the impact of the transition to green economy on the consumers' behaviour and preferences must also be considered not only when developing a business model, but also for proposing further strategies.

III. MATERIALS AND METHODS

The research is based on a quantitative method, namely the analysis of the responses to a semi-structured questionnaire containing a list of both close ended questions, as well as questions with the possibility for the respondents to add answers to the list, which was answered by 207 people, with a balanced gender and age distribution, as seen in the tables below.

The answers which were not valid were removed from the analyzed data prior to the statistical tests being run. The data related frequencies and percentage figures presented throughout this paper are considered valid in proportion of 100%. The data obtained was analyzed using SPSS Statistics and the output is discussed in the Results section of the paper.

TABLE 1. Gender distribution

Gender	Frequency	Percent
Female	91	44%
Male	116	56%
Total	207	100%

TABLE 2. Age distribution

Age group	Frequency	Percent
< 18 years old	3	1.4%
18 - 30 years old	52	25.1%
31 - 40 years old	71	34.3%
41 - 50 years old	51	24.6%
> 50 years old	30	14.5%
Total	207	100%

The majority of the respondents (86%) live in urban areas of Romania, have an income level higher than the national average (58%) and have a high level of education (53% of the respondents have a Master's degree).

TABLE 3. Education overview

Last finished school	Frequency	Percent
High School	21	10.1%
Bachelor's Degree	53	25.6%
Master's Degree	111	53.6%
PhD	22	10.6%
Total	207	100%

TABLE 4. Residence of the population

Residence area	Frequency	Percent
Urban	178	86%
Rural	29	14%
Total	207	100%

TABLE 5. Monthly average income

Monthly average income	Frequency	Percent
No Income	1	0.5%
< RON 1,000	3	1.4%
RON 1,001 - 2,500	14	6.8%
RON 2,501 - 4,500	64	30.9%
> RON 4,500	120	58.0%
Do not wish to answer	5	2.4%
Total	207	100%

IV. RESULTS

The research hypothesis is that there is a potential for increasing market share of green companies who are willing to

develop a consumer-centric business model and adapt their value creation to the customers requirements.

We have analysed the answers of two questions which address the same aspects regarding the consumers' purchase choices, but from two different perspectives.

The first question was "How often do you inform yourself about the impact on the environment of the materials used in production and about the carbon emissions of its production process before purchasing a product?". It had the purpose to isolate strictly the willingness of the customer to actively inform himself on the indicators regarding the impact on the environment of a company. Only the population which categorically refuses to inform themselves was considered, namely the ones who answered "Never" which represent 17% and "Rarely" 29%. These segment adds up to a total of 46%.

The second question "How important is the information regarding the percentage of green energy used by the producers and / or distributors of the products / services in your purchasing decision?" aims to understand if the active implication of companies towards using green energy and protecting the environment represents a criteria in the purchasing decision of consumers. Again, only the first two answers were considered for comparison, namely the population who considered these criteria completely irrelevant in their purchasing decision. Only 14% responded "Unimportant" and 21% "Slightly important". This only adds up to 34% which represents the green economy transition as completely irrelevant to their purchasing decision. The variations are presented in Fig. 1 and Fig. 2 below, where the answers of the two questions are presented under the form of a combined chart.

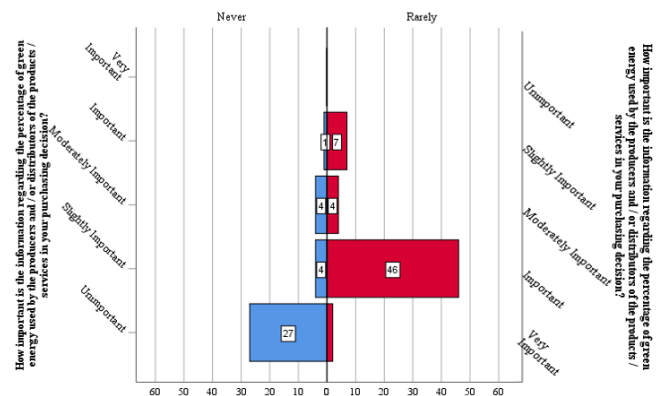


Fig. 1. Combined chart of "Never" and "Rarely" answers for the two questions regarding how often the respondents inform themselves about the impact on the environment of the company before purchasing a product and how important is the information regarding the share of green energy used by the producers and/or distributors of the products/ services in their purchasing decision.

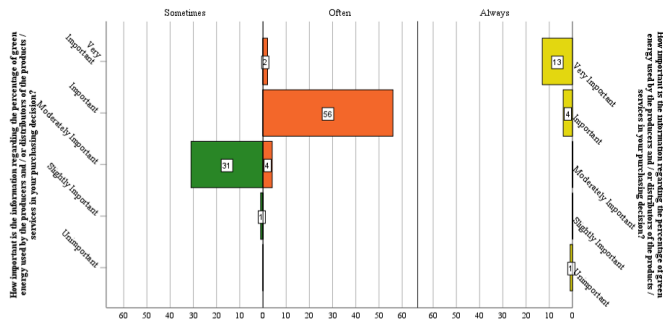


Fig. 2. Combined chart of “Sometimes”, “Often” and “Always” answers for the two questions regarding how often the respondents inform themselves about the impact on the environment of the company before purchasing a product and how important is the information regarding the share of green energy used by the producers and/ or distributors of the products/services in their purchasing decision.

Between the 46% who categorically refuse to make an active effort to inform themselves regarding the company they make a purchase from and the 34% who consider the environmental criteria as completely irrelevant in their purchasing decision, there is an 11% difference which represents a market share of customers who are willing to purchase from green companies but do not wish to make the effort of informing themselves about the profile of the company. Therefore, there is a significant potential for companies to improve their market share by shifting their business model development approach towards a consumer centric one and considering such aspects of their consumer profiles.

V. CONCLUSION

The transition towards a green economy is an important aspect of the political and economical context in today’s world. Companies need to consider not only the regulations and legal aspects generated by this transition, but must also timely identify the shift in the preferences of their consumers and to differentiate between their willingness to pay for a certain product or service and their willingness to make an effort to inform themselves regarding indicators specific to the green economy transition.

Trends such as the one presented in this paper must be timely identified and the marketing strategies of the companies must be adapted in order to target also the customers which would be willing to invest in a transition to green economy but which do not wish to make the effort of researching the company before purchasing a good or service.

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