

Sustainability and sustainable development

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eISBN 978-83-8211-074-6

<https://doi.org/10.18559/978-83-8211-074-6>



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Poznań 2021



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SUSTAINABLE DEVELOPMENT IN MARKETING STRATEGY



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Abstract: Marketing strategy is an important part of every business strategy because it is crucial in attaining marketing goals and to grant the overall success of a company. Broadly speaking, marketing strategy allows to define the long-term marketing goals of a firm and what needs to be done in order to achieve these goals. This provides a set of planned steps to bring the marketing mix into the desired state to achieve the overall business goal. In this sense, the marketing strategy is never created independently based on the corporate level strategy.

Marketing management has evolved over the past decade to become customer-cantered, and it continues to change along with consumers. It is not surprising that the concept of sustainable development (SD) has left its footprints on marketing strategy, as today it has strong impact on the consumer's mind and behaviour. Managers face the challenge of incorporating the main dimensions of sustainability into the marketing strategy—environmental, social and economic aspects. The main goal of this chapter is to explain how SD is integrated with marketing.

Keywords: customer value, sustainable development, sustainability marketing.

2.1. Sustainability as a source of value for customers

Sustainable development is a concept that recommends a set of ethical-oriented goals for nations aspiring to make economic growth widespread, to encourage social welfare, and to protect the environment from human-induced degradation (Sachs, 2015, p. 3). Globally, consumers are focusing their preferences towards products and brands implementing different innovations to promote sustainability. Environmental awareness increases, and this makes consumers look for and choose eco-friendly products, to avoid waste and reuse products and materials (Euromonitor International, 2020). Marketing managers have foreseen this shift and adapted their marketing strategies accordingly. Although this is indeed a challenge for some, shifting to a more sustainability-oriented approach in the market is an opportunity for growth as it is a source of value for customers. At the very heart of today's marketing is the creation of value for customers. Marketers are always looking for new ways to satisfy their targeted customers by adding value to their offers. However, before we comment on how different aspects of sustainability can be incorporated into a marketing strategy to create, communicate and distribute value to customers, let us consider this definition of customer value (Woodruff, 1997, p. 142):

Customer value is a customer's perceived preference for and evaluation of those product attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations.

According to this definition, customer value is created when product attributes perform in a way that enables the customer to achieve his/her goals when/after product usage occurs. To **create value**, a marketer first has to know which product attributes are important for customers in various use situations. During the product development stage, those attributes must be considered at their sufficient levels so that the product performance will be evaluated favourably by the consumer. In other words, companies can create products that are valuable for consumers only after they have conducted market research to get insight into what is valuable for the targeted customers. Then, an appropriate way to **communicate this value** must be implied because sometimes, the value is not immediately recognised. This can be done by putting labels on the product itself (such as "eco-friendly", "organic", "bio", "made with natural ingredients", "recyclable", etc., depending on the type of product) and by advertising. Of course, the product must possess the qualities and attributes it claims to have, otherwise this type of communication is unethical and deceiving. The last step is to **deliver value to customers**, and it is very important to communicate only value-adding attributes that are real and can be provided by the product.

There is evidence that sustainable corporate management and investment practice can actually improve the performance of a company (Clark, Feiner, & Viehs, 2015):

- firms with sound sustainability standards enjoy a lower cost of capital;
- superior sustainability standards improve corporations' access to capital;
- environmental risk management practices and disclosure on environmental policies lower a firm's cost of equity;
- social factors, such as employee relationships and good workforce practices, have strong impact on operational performance;
- corporate eco-efficiency and environmentally responsible behaviours are viewed as the most important factors leading to superior stock market performance.

As a part of sustainable corporate management, marketing management also sets sustainability goals and creates specific marketing programmes. This type of marketing is known as **sustainability marketing**, and it can be defined as follows (Lunde, 2018):

Sustainable marketing is the strategic creation, communication, delivery and exchange of offerings that produce value through consumption behaviours, business practices and the marketplace, while lowering harm to the environment and ethically and equitably increasing the quality of life (QOL) and well-being of consumers and global stakeholders, presently and for future generations.

The theoretical background of sustainability marketing is vast and based on various socio-psychological, business and institutional, as well as behavioural theories. The value created by sustainability marketing is extended in a way that products deliver not only benefits to the consumer, but society at large. It should be noted, however, that companies operate on the market with an expectation for a certain level of profit. It is unlikely for a company to undertake changes in its marketing strategy towards more sustainable ways of conducting marketing if this change will only raise costs and not bring more value to the company. In Figure 1, the concept of extended customer value is shown, which includes 4 models of value creation:

- 1) Creating value for individual customers and the company.
- 2) Creating value for the public and the company.
- 3) Creating value for the public and individual customers.
- 4) Creating value for the public, individual customers and the company.

Although some consider 'profit' and 'value for society' as a major trade-off, this is not necessarily true. In order to compensate for the investment in shifting to more sustainable offers, marketing managers must change pricing strategy as well. This is possible if the targeted segment is less price sensitive. It is demonstrated in research that interest in sustainable products peaks after the age of 30, which

is in line with increased disposable income and earning potential, although not all consumers are willing to pay more for sustainable products—they still look for affordable and convenient products (Euromonitor International, 2020).

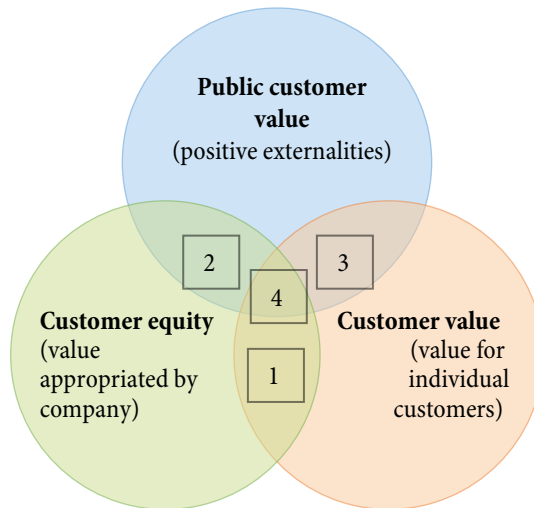


Figure 1. Concept of extended customer value

Source: (Lüdeke-Freund, 2010).

Within Europe, there are still different perceptions regarding the importance of social welfare as a source of personal well-being and life satisfaction. People in more developed countries, with more efficient economies, have recognised how prominent the prosperity of the society generally is for individuals. Public policies, concerning sustainability, are now the main focus of interest and people are getting more and more concerned with the welfare of future generations. This has strong impact on consumers and the way they evaluate, chose, buy, consume and dispose products. Anyway, there are cross-cultural differences in the extent to which consumers value the sustainability concept, and thus, “sustainable-oriented” consumer segments vary in size and demographics across countries.

2.2. Social and environmental aspects of sustainable development in marketing strategy

In this part, we focus on the 2 most important dimensions of sustainable development within the context of consumer behaviour and marketing—social and environmental aspects. The economic aspect of SD is related to the long-term economic

growth that is preserving the natural resources and quality of the environment for future generations. In other words, the economic aspect of SD is not associated with marketing strategies and actives as much as the other 2 aspects of SD, and this is why we will not discuss this aspect here. However, by changing consumption patterns and attitudes towards sustainable products, sustainability marketing can also foster sustainable economic growth.

There are a couple of marketing concepts/strategies that have, to some extent, incorporated the idea of sustainability in marketing. These concepts have changed and blended in recent years, but yet, they can be described as fundamental for today's understanding of the role of social and environmental sustainability in marketing strategy.

Social marketing

The ability of marketing to solve not only the individual consumers' problems but also to contribute to solving societal issues is an idea that has existed in the world of marketing practitioners for a very long time. For example, Kotler and Zaltman view social marketing as "a promising framework for planning and implementing social change" (Kotler & Zaltman, 1971, p. 3). However, the early understanding of social marketing is quite different from the meaning regarding the social aspect of sustainable development. Social marketing connects the target audience with some socially significant cause or idea using traditional marketing tools. In practice, social marketing differs from the traditional one but only in the field of its application, but it uses the same techniques. Most often, it is about promoting non-profit organisations and their campaigns.

Cause marketing

The focus of this form of marketing is the creation of marketing programmes that are aimed at supporting all kinds of charitable causes. Companies selling conventional products are constituting partnerships with non-profit organisations, helping them raise funds or buy equipment, materials, etc. for their activities. This partnership is mutually beneficial because the non-profit organisation receives support, and the for-profit companies, their image is improved and achieves higher sales rates because people feel good when they support causes. This approach is widely used in promotional campaigns but it can also be a core part of a firm's business model.

Ecological marketing

This type of marketing orientation is the earliest form of recognition concerning the role that marketing can play when trying to solve issues such as water and air pollution, the use of pesticides, and other major ecological problems. Ecological marketing is used to overcome already existing issues regarding the harm that

humans (and more specifically—businesses) cause to the environment. It deals with factors affecting these ecological problems and companies that are considered the most serious threats in preserving nature. We must note that all the efforts here are directed towards the companies and their compliance with new legislation that obliges companies to take specific measures to protect the environment (Katrandjiev, 2016).

Green marketing

This concept has existed for more than 2 decades, and its basic idea is to identify and target those consumers who are concerned about the environment and want to minimise their negative impact on it through a change in their consumption patterns. A company that implements a green marketing strategy would demonstrate its willingness to preserve nature while offering environmentally-friendly products and adjust its marketing mix to the specific needs and wants of the 'green consumer'. Green marketing features different activities, such as:

- changes to the production process;
- product and packaging modifications;
- product innovations/creation of entirely new products;
- sustainable ways to dispose of a product;
- new product positioning strategy;
- changes in communication messages;
- promotion of 'green' improvements in a company;
- changes in prices and pricing policies;
- optimisation of distribution channels;
- introduction of short supply chains;
- the CO₂-neutral footprint of transportation.

2.3. Sustainability marketing: changes in the marketing mix

The concept of marketing mix is greatly essential for contemporary marketing, that it is impossible to talk about a shift towards sustainability marketing without commenting on the necessary changes in the 4Ps – product, price, place, and promotion, as a part of any marketing strategy. All changes in the marketing mix should be coherent, of course, and they are indeed a result of changing consumer perceptions and preferences. In the following Figure 2, it can be seen how the traditional marketing mix can evolve in terms of changing the focus of its elements so that the result is a more consumer-oriented sustainability marketing mix.

- Sustainable products provide customers with a solution to both consumer and socio-ecological problems of a larger scale.

- The price of a product from a consumer point of view consists of all costs for acquiring, using and disposing the product.
- Marketing needs to create convenience for customers in a sustainable way.
- Promoting the product means to initiate two-way communication with the audience.

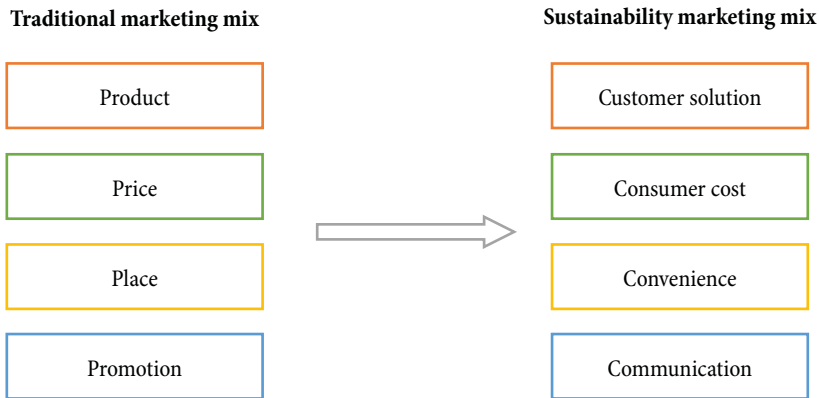


Figure 2. Traditional marketing mix (McCarthy's 4Ps) vs. sustainability marketing mix (Peattie & Belz 4Cs)

Source: (Kumar, Rahman, Kazmi, & Goyal, 2012).

While we bear this novel conceptualisation of the marketing mix in mind, we use the original elements in the following discussion.

Product

When a company wants to make a business sustainable, it usually starts with changes in the product. The reason is that it is the product and its attributes that are most important for customers who are concerned with sustainability. Customers are satisfied with a product when it performs at least as well as it was expected by the customer. In other words, customers have expectations about the product, and only when these expectations are met or even exceeded, customers are satisfied with their choice. This is essential for the long-term market success of a product. Within the context of sustainability marketing, customers may have expectations about the typical product attributes and the product's impact, for example, on the environment. This must be well-understood when developing new product offerings. The extraction of raw materials, their transportation, and the manufacturing process itself, are not explicitly a decision of marketing managers, but sustainability must be considered at each of these steps in order to define a company as sustainable. There are certain product attributes that are achievable only if the manufacturing process is adapted to the sustainability strategy. In Table 1, the main categories

of product attributes related to social and environmental sustainability aspects are expected. The social sustainability product attributes are ensured by adopting labour-related practices that rule out any possibility of unfairly treating workers, and by selecting suppliers that comply with the company's sustainability policy. It is also important to guarantee products and/or manufacturing processes are not harmful to the health of both workers and customers. These Corporate Social Responsibility practices should be communicated to customers and information should be easily accessible and transparent.

The environmental sustainability product attributes may include, for example, the use of renewable energy sources during the production stage; use of recycled materials; product origin; extended durability; low ecological impact of suppliers and partners; low environmental impact during usage; recycling the product (or its parts) at the disposal stage.

If we consider the consumer decision-making process, at the product evaluation stage, the environmentally-conscious consumer would consider only products that possess a given set of sustainability attributes she/he finds important. Any product that does not have these attributes will not be included in the initially considered set. Nonetheless, being in this set does not guarantee that the consumer will buy this particular product. Even if sustainability attributes are significant for consumers, there are still other product attributes that may have stronger influence on consumer buying behaviour.

Table 1. Product attributes linked to social and environmental aspects of SD

Social sustainability attributes	Environmental sustainability attributes
<ul style="list-style-type: none"> – health, welfare, and social justice – involving issues concerning workers and suppliers (e.g. fair wages and treatment of those providing raw materials and products), consumers (e.g. guaranteeing products offer real value and are not harmful), and communities (e.g. guaranteeing the development of productive, healthy and rewarding communities) 	<ul style="list-style-type: none"> – preserving natural resources and the environment (including animals) – mainly related to waste, pollution, resource usage and ecosystems

Source: (Bangsa & Schlegelmilch, 2020, p. 5).

Positive customer attitudes towards sustainable products do not always lead to a purchase, and the nuances of consumer behaviour in this regard are still not fully understood (Wiederhold & Martinez, 2018). Most of the research focused on the way sustainability attributes influence consumer choice and decision-making allow to examine the following variables as a measure of behaviour: consumer choices or preferences, willingness to buy or pay, intention to adopt or purchase, and consumer evaluation and perceptions (Bangsa & Schlegelmilch, 2020). In Table 2, the key factors linked to sustainability product attributes that affect consumer choice

are presented. The variety of possible levels regarding these factors indicate that many variables may influence the actual behaviour of sustainability-conscious consumer segments. Only part of them are under the control of marketing managers, and their planning should be undertaken while considering the other drivers of consumer choice.

Table 2. Key drivers of consumer choice regarding sustainable products

Consumer factors	
Socio-demographic	Age, gender, education, income, etc.
Beliefs, values, attitudes, knowledge, perceptions	Personal values, environmental concern, environmental and social consciousness, environmental literacy, perceived consumer effectiveness, self-efficacy, self-construal, equity sensitivity, consumption value perceptions, consideration of future consequences, value orientation
Intentions	Propensity towards pro-social behaviour
Habits and lifestyle	Consumption pattern and habits (type of product, frequency), health-conscious lifestyle
Marketing and purchase factors	
Sustainable labels	Organic, fair-trade, Rainforest Alliance, GMO-Free, locally produced, animal welfare, CO2-reduced, energy labels, SA 8000, recyclable, biodegradable, etc.
Product type	Different product types (e.g. hedonic vs. utilitarian product)
Sustainable attributes	Sustainable packaging, production, transport, materials, etc.
Product attributes	Brand name, price, product quality, product performance, taste, shape, visual appeal, etc.
Product benefits	Gentleness, strength, healthiness, hedonic, utilitarian, etc.
Product origin	Local/regional/international, country of origin
Message and communication	Consumer education and message-framing, message condition and prediction request
Situational context	Response mode compatibility
Social and structural context	
Social pressure	Social pressure
Social influence	Social influence, herd behaviour, social learning
Extrinsic motivational factors	Government role, media exposure

Source: (Bangsa & Schlegelmilch, 2020, p. 9).

Price

Determining a sustainable product's price should be done after a considerable amount of data analysis, as this element of the marketing mix generates revenues and is directly related to profitability. At the same time, it is a tool for direct influence of demand and a dimension in product positioning strategy.

From a customer point of view, price represents the monetary sacrifice that is needed to obtain a product. To decide whether to buy a product or not, the customer would compare the perceived value of the product with the price that he or she

has to pay for it. If the perceived value that comes from using or simply possessing the product is evaluated as greater than its price, then the customer will buy the product. In other words, if the customer thinks and/or feels that the given product would solve his/her problem, then the purchase will occur. Remember that most product choices are made within the context of budget constraints, thus, this also plays a major role in buying behaviour.

It is considered that most sustainable products have higher prices because:

- 1) Using renewable sources of energy, clean or bio ingredients, and eco-friendly manufacturing process, etc., is generally more expensive.
- 2) Creating proper working conditions, giving fair wages, and having a good social policy for workers increases the costs of a company and thus—contributes to the higher prices of production.

If the benefits for society and the environment are important to customers, higher prices will be considered appropriate for the additional value that comes with sustainable product choices. That is why it is very important to communicate this added value and to educate customers on sustainability issues and their possible solutions.

The price is not equal to the overall cost that any customer needs to pay in order to have, use and dispose of a product. The overall cost typically consists of the following elements:

- 1) *product price*—this is the initial cost to acquire a product; prices of sustainable products may be higher than those of conventional ones, but this may be compensated by, for example, longer durability;
- 2) *costs related to the purchase*—these costs are associated with the purchase but are not included in the product price, such as transportation costs to the store and then—back to the home of the consumer; sustainable products may be harder to find in many stores, thus, they might be associated with higher additional costs related to the purchase;
- 3) *maintenance costs*—any routine costs that arise from product usage that are not covered by the warranty or customer service; for example, an air conditioner should be serviced once a year;
- 4) *costs of use*—in order to use some products, the consumer needs to buy additional resources or pay fees; for example, owning and using a vehicle means the customer has to pay taxes and buy gasoline.

When setting the price of a sustainable product, marketing managers should think of all additional costs that may arise for the customer. Owning and using a sustainable product can involve a higher initial investment, but it may lead to lower overall costs in the long-term. Marketers should communicate this to potential buyers. Sometimes, people would not consider the overall cost, or they just lack the experience needed to make such an estimation.

Promotion

Promoting sustainable products means to use all relevant communication channels in an effort to popularise the sustainability solutions that a particular product provides. Promotion activities have various objectives, some of which are (Belz & Peattie, 2012):

- generating awareness about the product, brand or technology;
- informing consumers about the company and its sustainability activities, sustainable product attributes, or sustainable product attributes;
- reminding consumers about the product and its availability;
- persuading consumers to try a new product or an innovation;
- reassuring consumers of the product attributes and that past purchases of the product were sensible choices;
- motivating consumers to respond to the communicated message;
- rewarding consumers through the provision of direct benefits for loyalty or other behaviours;
- connecting with consumers through relationship-building activities and interactive communication.

One of the most considerable ways to communicate sustainability attributes is to use labelling. It is also vital to use various communicative activities to make sustainability practices as transparent for consumers as possible. For example, if a company uses recycled materials, a list of its suppliers will build trust. Very often, consumers are not well-informed of sustainability benefits and get confused while trying to find out whether the product is environmentally-friendly. If the company has any certification that proves that the product is indeed sustainable, it has to be mentioned. This could help consumers build trust in the brand and its communication.

Typically, communication has a different focus at each stage of the consumption process (see Table 3). A prominent part of marketing communication is expressing corporate sustainability efforts and social responsibility. These efforts are most likely a part of a company's public relations initiatives. However, they are also expressed implicitly by the product and its positioning.

Table 3. Sustainability communication throughout the consumption process

Stage of consumption process	Emphasis of communication
Pre-purchase	generating awareness; influencing brand perceptions; increasing brand's sustainability credentials
Purchase	motivating consumers to purchase sustainable products
Use	encouraging changes in product usage as well as service, and thus – saving resources and extending product durability
Post-use	responsible disposal; encouraging recycling

Source: (Belz & Peattie, 2012).

Marketing communication can have a beneficial effect on consumer behaviour because it can influence consumption patterns and people's lifestyle in a way that makes them aware of the consequences of their actions as customers. Today, many companies promote sustainable consumption in one way or another, and even if this does not lead to an immediate purchase, it slowly changes the way customers perceive companies, products and technologies. Implementing production innovations that reduce environmental impact is expected from every company that wishes to be perceived as socially responsible. Customers gain knowledge on recycling and reuse options, they are interested in more durable products, and demand more detailed information about the production process and used materials.

Place

Transforming distribution to a more sustainable system means minimising the product's ecological footprint. This includes not only efforts to optimise the means of transport, but also to think about transportation packaging, re-use of materials, etc. The main points in this process are:

- *local manufacturing*—as the trend for shopping in local stores and preference for locally produced brands strengthens, some international companies are looking to acquire local business to capture new markets. Local manufacturing will reduce the distance between the producer and customer;
- *eco-friendly means of transport*—some vehicles have less ecological impact, such as railway or sea transport, or electric cars. Technologically advanced companies also use drones to deliver goods to customers' homes;
- *optimisation of vehicle load*—using advanced optimisation approaches can help shorten the length of travelling routes and overall travel distance, which, in turn, reduces harmful emissions;
- *recycled packaging materials*—using recycled materials to protect the product from damage during transportation is one step, and it is also possible to start a programme to reclaim and re-use packaging materials already sent to the client;
- *shorter supply chains*—working with a minimal number of intermediaries means better control and support for partners who wish to improve their sustainability performance. Fewer intermediaries also mean less consumption of energy and other resources for keeping the goods in warehouses and repackaging, which also decrease the product's ecological footprint.

Questions / tasks

1. What are the main barriers that deter consumers from re-evaluating their consumption patterns and adopting more socially and environmentally responsible behaviours?
2. Use the concept of 5 product levels introduced by Philip Kotler in the 1960s to analyse the following sustainable products: compostable cutlery, solar-powered lawnmower, jewellery made from recycled, precious metals.
3. What are the most common sustainability advertising appeals that you have seen in different media? Give an example.
4. What are the limitations of classic advertising as a communication tool for sustainability marketing?
5. Point out several examples of how overall consumer costs for sustainable products can be reduced.

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