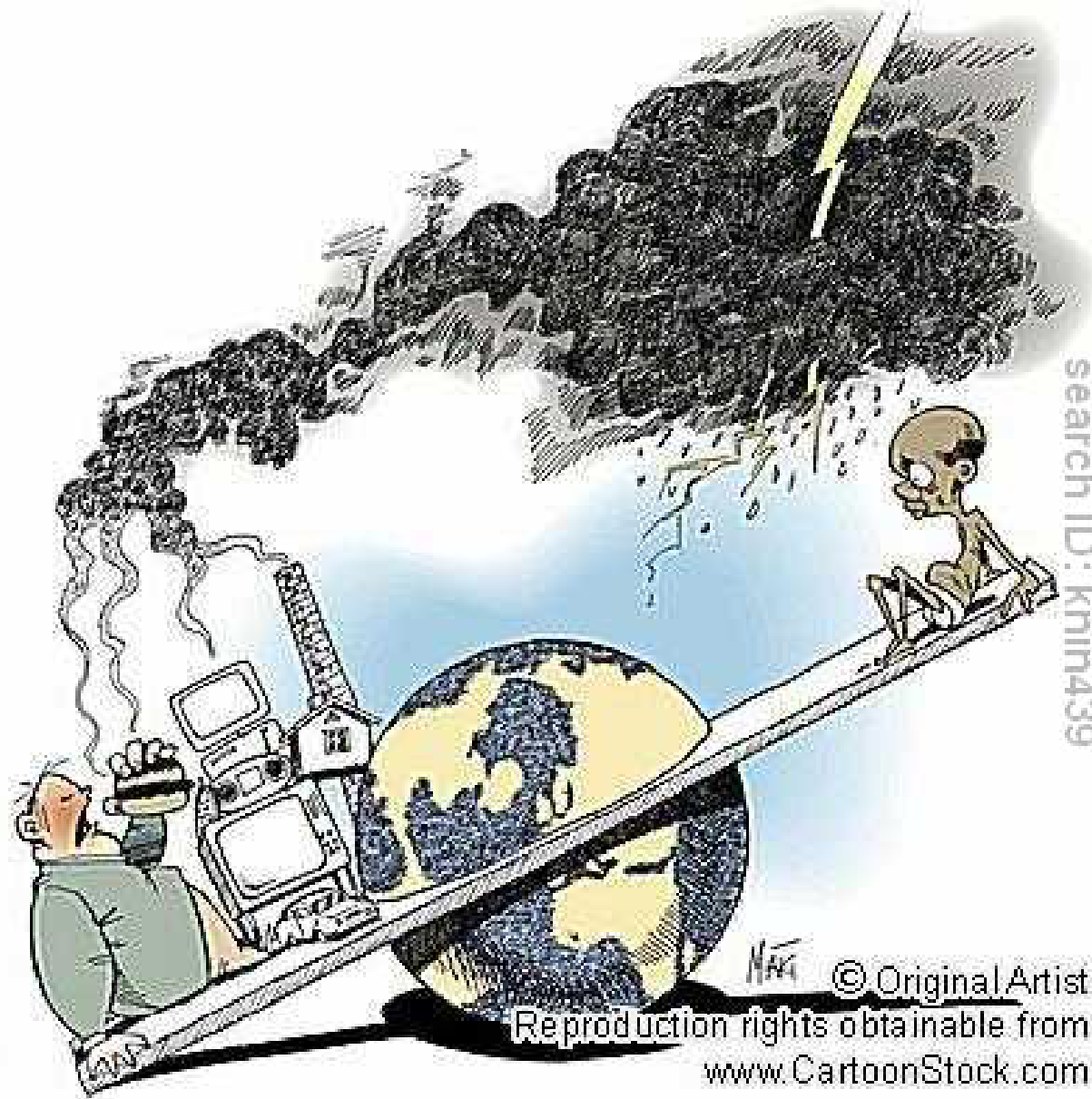


Sustainability Marketing

Strategic Perspectives

ISA Seminar, December 15, 2011

Mataki Ad
2001



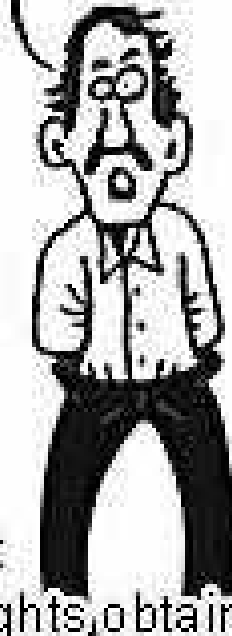
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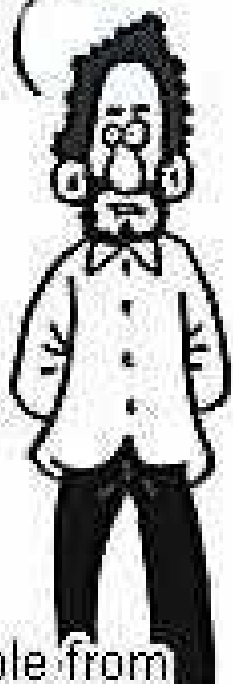
I'M ASIAN
AND I'M
POOR.



I'M SOUTH
AMERICAN
AND I'M
POOR.



I'M AFRICAN
AND I'M
POOR.



SEE? THAT'S
GLOBALIZATION!



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SCALP

Global Resources

- Great advances in the world have often aggravated the inequities in the world (Bill Gates)
- The least needy see the most improvement and the most needy gets the least
- 20% of global population consume 86% of global resources
- 1 American consumes as much energy as 37000 Nepalis & 5 Japanese
- If we all (whole world) consume as much as Americans do, the world resources would come to an end in just 5 years' time.

Challenges for 21st Century

- Population:
 - By 2050, world population is expected to reach 9 bn. Growth @ 75 mn. annually. 95% growth in Asia, Africa, Latin America
- Poverty:
 - 3 bn. People living under \$2 per day. 30000 child deaths every day. And this doesn't capture the hardship, humiliation and powerlessness
- Health:
 - Curable diseases still account for large # of deaths. Lifestyle diseases in developed nations a big challenge

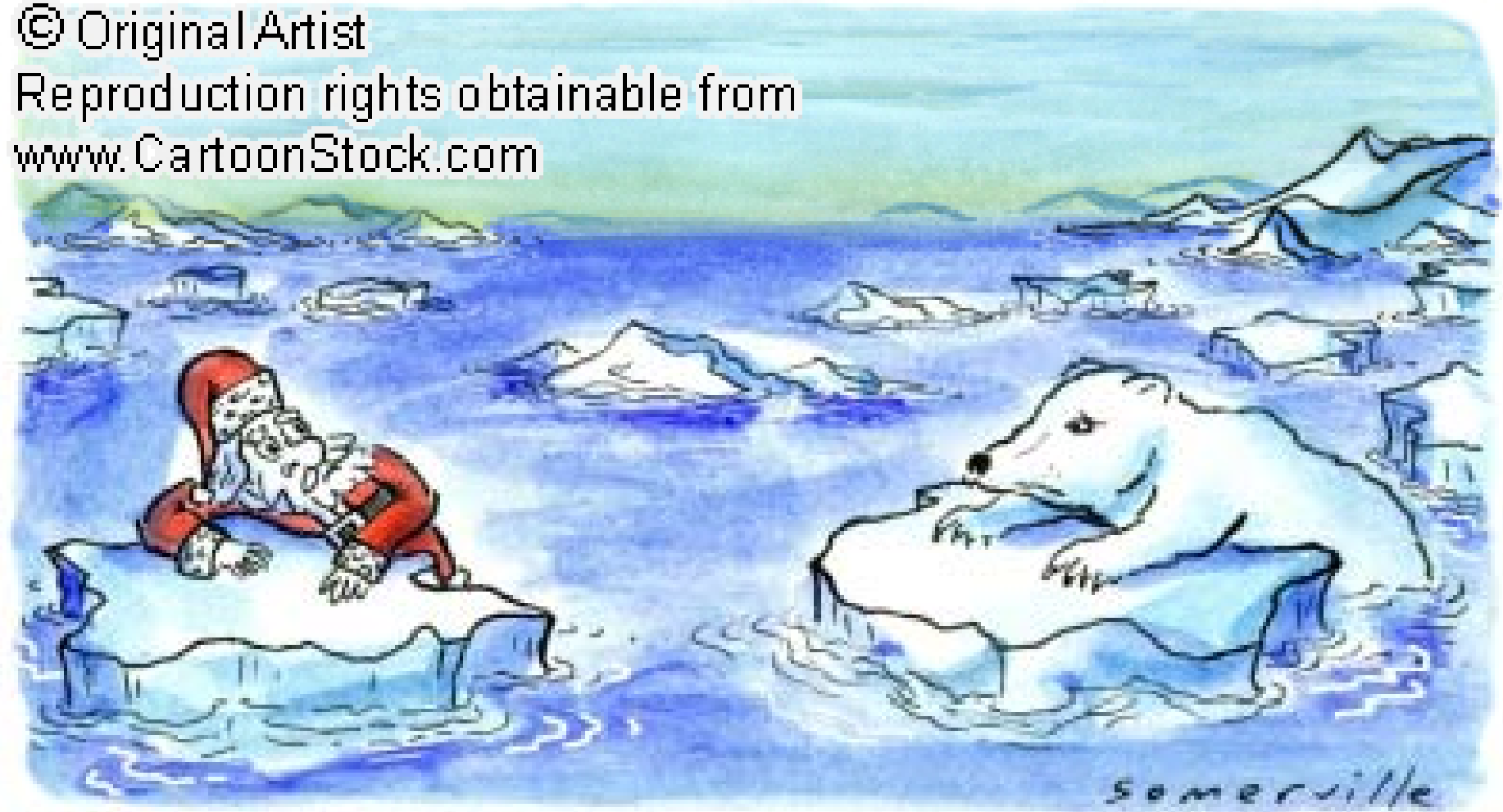
Challenges for 21st Century

- Urbanization:
 - 2 bn. People living in slums by 2030
- Oil:
 - Existing fossil fuels to deplete to a point 'peak oil' reducing supply and rises in price.
- Ecosystem:
 - 60% of the world ecosystem have been degraded and species extinction rate range between 100 and 1000 compared to background rates.
- Food:
 - By 2008 global food reserves had reached its lowest in 25 years

Challenges for 21st Century

- Water:
 - 1 bn. people in developing countries lack adequate access to water. 2.6 bn. lack basic sanitation
- Climate change:
 - CO₂ emissions up. Greenhouse gas effect making disastrous changes in climate

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Principles of Business

- Wants are natural and infinite, and encouraging unlimited consumption is good
- The planet's resources are infinite
- Earth's carrying capacity for waste and pollution is infinite
- Quality of life and personal happiness increase with increased consumption and want satisfaction

Principles of Business - Now

- Wants are culturally influenced, and strongly shaped by marketing and other forces
- The planet's resources are fragile and finite
- Earth's carrying capacity for waste and pollution is very limited
- Quality of life and personal happiness do not always increase with increased consumption and want satisfaction

Global Resource Management - Philosophy

- Two human forces : Self interest (Capitalism) & Caring for others (Welfare)
- Welfare function ignored – diminished governance
- Capitalist State? Abdicated power in the hands of corporate interests
- Powerless State?
- NGOs

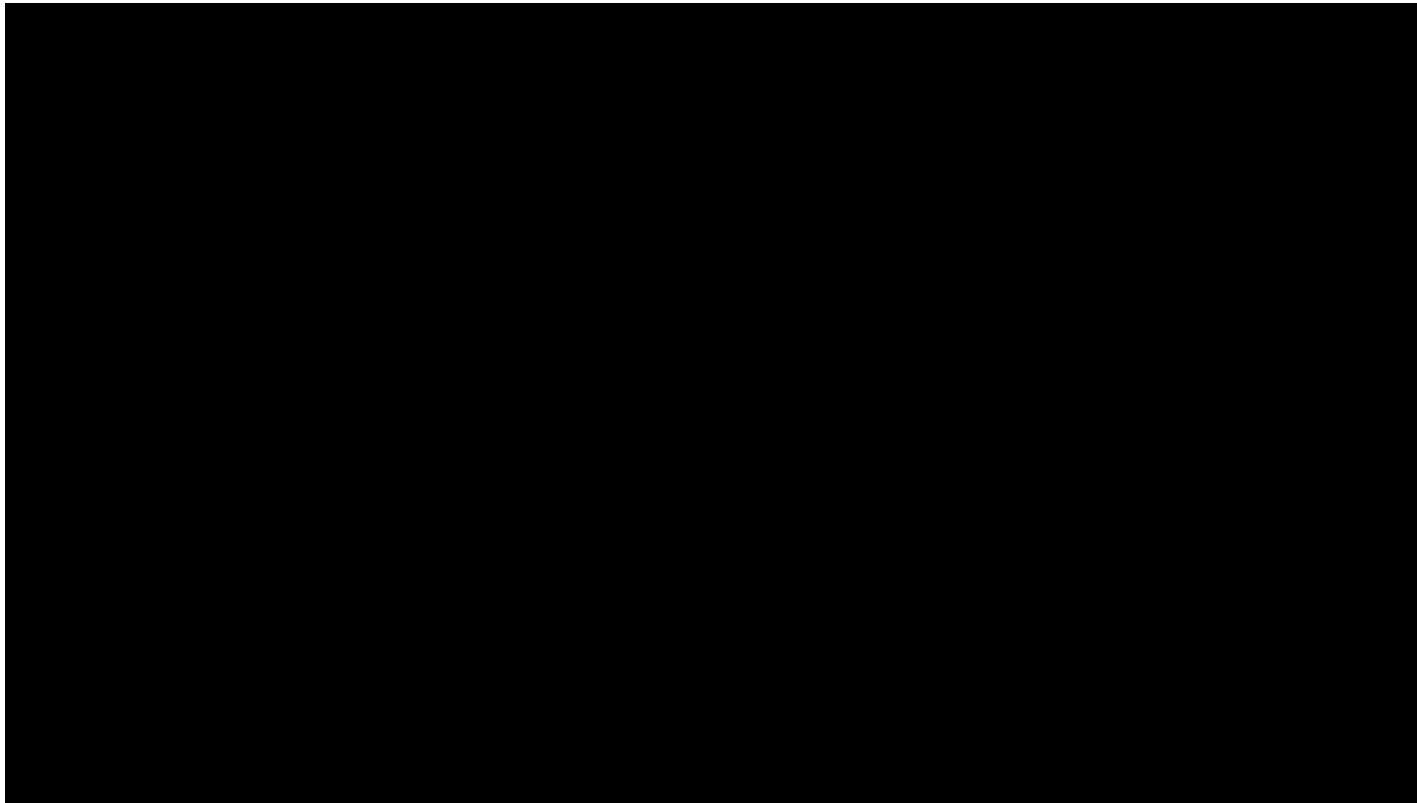
Third Way

- Tony Blair and Anthony Giddens
- Critique of Free Market Capitalism and State Socialism
- The Free Market - Inhumane and exclusive
- State Socialism - No individual freedom of Choice and incentives to engage in entrepreneurship activity
- Combining Economy and Society with positives of both the other way
- As old as 19th century - German Social Democratic Party

The Third Way

- Corporations are most influential organizations and yet are not trusted
- System with twin missions:
 - Make profits
 - Improve lives of those who do not benefit from the capitalistic system NOW
- Creative Capitalism (Bill Gates)
- Conscious Capitalism (John Mackey, Raj Sisodia)
- Natural Capitalism (Hawken, Lovins, Lovins)
- Fourth Sector - For-benefit enterprise (Heerad Sabeti)

Porter on Rethinking Capitalism



Incentive for Businesses

Such a system would have a **twin mission**: making profits and also improving lives of those who don't fully benefit from today's market forces. **For sustainability we need to use profit incentives wherever we can.** At the same time, profits are not always possible when business tries to serve the very poor. **In such cases there needs to be another incentive, and that incentive is recognition.** Recognition enhances a company's reputation and appeals to customers; above all, it attracts good people to an organization. As such, recognition triggers a market-based reward for good behavior. In markets where profits are not possible, recognition is a proxy; where profits are possible, recognition is an added incentive.

Bill Gates, World Economic Forum, 2008

Royal DSM – Community Engagement

- Dutch company founded in 1902, Chemical business with 22,000 employees in 50 countries
- Sustainability-focused rebalancing of Product Portfolio
 - Decade back – Plastics, petrochemicals, base chemicals
 - Today – nutritional supplements, pharmaceutical ingredients, energy-efficient building materials
- **Less commercially obvious – giving them away**
 - Through world food program, distribute vitamins, nutrient mixes and fortified food in Nepal, Kenya, Bangladesh
 - Contributed light weight construction modules to a new school in Pune. Further, the school children would have access to nutrition program

- The Advantage – Long-term corporate success in an increasingly complex global economy
 - DSM has become attractive employer
 - Understand needs of different countries and cultural differences
 - Inventions and profitable investments at the bottom-of-the-pyramid

Unilever – Sustainable Sourcing

- Each year the company sells 170 billion products across 180 countries, sourcing materials from 150,000 suppliers and operating more than 250 factories.
- In manufacturing and logistics - goals for reducing its environmental impact for both directly and indirectly.
 - Factories need to submit monthly score cards on their waste disposal and energy and water use
 - Works with governments and NGOs to ensure that its supply chain is following best practices. Unilever's Sustainable Agriculture Code
- Benefits:
 - Eg. Tea growers certified by Rainforest Alliance offer higher yields and reduce product costs

Broad Group – Environment Protection

- 1988 founded company based in China. Operates in 70 countries. 2600 employees
- Air-conditioning and air-filtration systems and energy efficient pre-fab buildings which can reduce the Carbon Dioxide emissions drastically
- Avoid ozone depleting refrigerants used in electric cooling, reduce load on power grids, requires less energy overall
- Air-purification system designed after SARS outbreak in Asia.
- Tycoon owner renounced private jet!

Southwest Airlines – Employee Relations

- American Airlines company founded in 1967 with 35,000 employees
- Warrior spirit, servant's heart, fun-loving attitude
 - Published an ad in 1971 – air hostesses would serve from the heart
 - Make staff happy, customer satisfaction and profits would follow
 - Pay and benefits above industry average
 - 1973, first company to announce profit sharing. Employees now own 5% of company stock
 - Excellent training
 - 'Delight and surprise' for staff by culture committee
 - Aggressive internal communications
- Profit leader among airlines

Six Dimensions – Responsible Companies

- Common Purpose
 - Coherent Identity – Purpose & Values
- Long-term focus
 - Short-term financial sacrifices
- Emotional Engagement
 - Propelling self/ peer regulation
- Partnering with Public
 - Relationship with govt./ public intermediaries
- Innovation
 - Broader purpose guide strategies and actions – sources of innovation
- Self-organization
 - Trust people and rely on relationships. Employees Self-determining professionals

Tata – an Indian company in global 100 - GSRA

We do business the way we do, not because it
we have clear evidence that it has better
chance of success. We do it because we know
no other way

ED, Tata Sons, On Tata's Pro-social approach

Sustainability Rankings - KPI

- Energy productivity (Sales/ Energy consumed)
- Water Productivity (Sales/ Water consumed)
- Carbon Productivity (Sales/ CO2 emitted)
- Waste Productivity (Sales/ Waste produced)
- Safety Productivity (Sales/ lost-time+Fatalities)
- Taxes Paid (Tax paid/Tax obligation)
- CEO-average salary (Highest Compensation/ Average compensation)
- Sustainability Pay Link (at least one director's remuneration linked to sustainability performance)
- Leadership Diversity (Women on board)
- Innovation Capacity (R&D/ Sales)
- Transparency (Sustainability Reporting)

Tata's Social Reforms

- Eight-hour day 1912 (1948, Factories act)
- Free medical aid 1915 (1948, Employee State Insurance act)
- Schooling facility for children 1917
- Grievance committee for work conditions 1919 (1947, Industries dispute Act)
- Leave with pay 1920 (1952, employee PF act)
- Maternity benefit 1928 (1946, Bihar Maternity Benefit Act)
- Profit sharing bonus 1934 (1946, Bonus Act)
- Retiring gratuity 1937 (1972, Payment of Gratuity act)

Tata's Sustainability Initiatives

- Tata Nano
 - Personal mobility to masses – people's car
 - Electrification – Nano EV
- Tata *Swach*
 - Safe drinking water for all
 - Wipe out curse of water-borne diseases
- TCCI – Tata Council for Community Initiatives – 43 CEOs
- Annual Sustainability Workouts

Marketing in Sustainable Economy



Forces in Marketing Environment

- Globalization
- Cultural Differences
- Social Media and Internet
- Brand Proliferation
- Retail concentration
- Recession
- Environmental Issues

New Concerns

- Will they keep their jobs?
 - Can they save enough for retirement?
 - Will the road traffic get much worse?
 - Will the air get more polluted?
 - Will the product be made with more safety and least impact on environment?
-
- Concerned about economic, social, political concerns
 - Word-of-mouth – growing force

Mindless to Mindful consumption

Post Crisis Consumerism

- “Since recession, I realize that how many possessions I have does not have much to do with how happy I am” – 77% Americans
- “Since the recession, I realize I am happier with simpler, more down to basics lifestyle” – 62% Americans
- “How I spend my time is more important than how much money I make” – 77% Americans
- “I make it a point to buy brands from companies whose values are similar to my own” – 72% consumers

John Gerzema, Young & Rubicam (2010)

New questions of consumers – Less is more?

- Are we eating too much food? Is it the wrong kind of food? Can we turn vegetarian? Are we consuming too much sugar and butter?
- Are we driving fuel-efficient car? Do we even need to own a car?
- Can we save more energy in the running of our home by efficient lighting?
- Can we sort trash efficiently into paper, cans bottles and waste?

**The world is too much is with us.
Getting and spending we lay waste
our power**

William Wordsworth

Eco-Social Movements

The Greatest Speech Ever Made



LOHAS

- LOHAS – Lifestyles Of Health and Sustainability
- Estimated to be 19% of US adult population.
Approx. 41 mn. people
- Market encompasses
 - Organic foods, energy-efficient appliances and solar panels, alternative medicine, yoga tapes, ecotourism
- \$209 bn. market

Consumer Trends - LOHAS

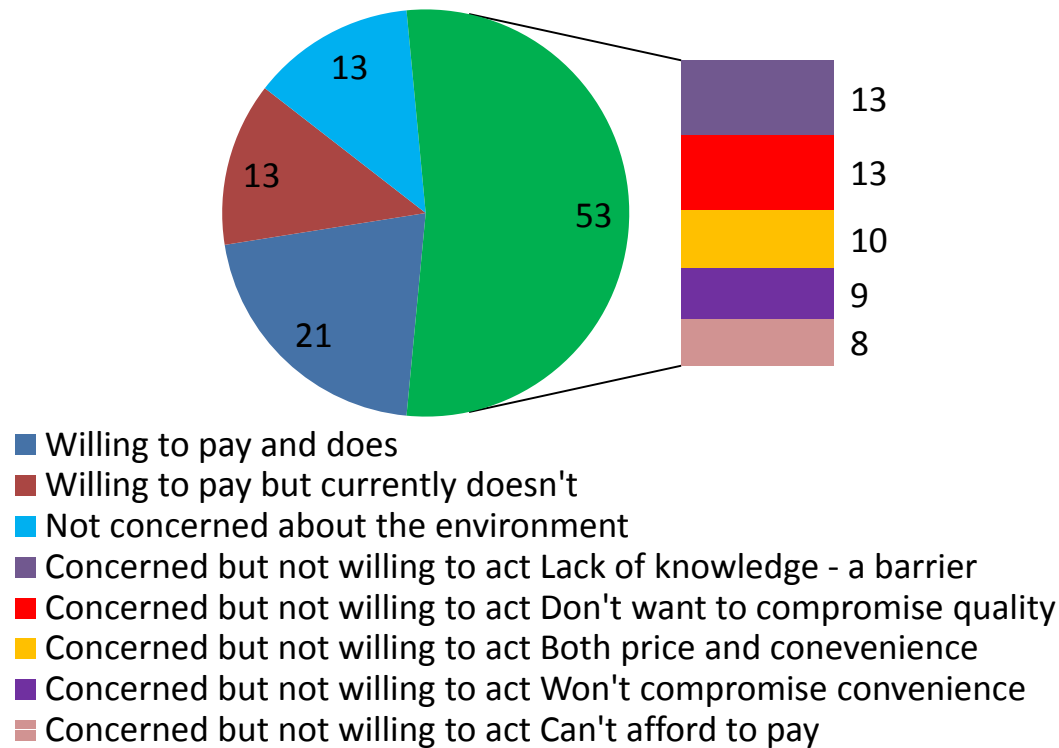
- Leading edge thinkers
- Average Income
- Least Price Sensitive
- Highly Educated
- Influential Leaders
- Early Adopters
- Write Blogs
- Understand Sustainability
- Expect Good Value
- Brand Loyal
- Healthy Lifestyle – Healthy Food

Are consumers willing to buy Environmentally friendly products?

- Home Depot
 - Two bins of plywood next to each other
 - One guaranteed that the plywood is made from the tree from a forest managed by FSC (forest stewardship council). Other with no such label
 - When price was same – nearly all consumers bought the one with the label
 - When FSC labeled plywood was priced 2% higher, 37% consumers bought that.
- Energy companies charge more for energy coming from solar and wind

Sustainability Marketing - Challenge

Global Consumer Segmentation by Willingness to Pay for Environmental and Social benefits



Source: McKinsey Survey, Sept, 2007

Our ambitions are to double our business, but to do that while reducing our environmental impact and footprint...But the road to well-being doesn't go via reduced consumption. It has to be done via more responsible consumption

Paul Polman, CEO of Unilever in Financial Times, 2010

Rise of Demarketing

- Demand REDUCTION
- Reverse applications of the 4Ps
- More targets for demand reduction – overeating, energy waste, obesity
- Energy companies are trying to educate consumers to turn-off their lights
- Sin products have been doing it anyway
- Government regulations

Image of Marketing

- 65% of consumers have negative view of marketing
- Most professionals (marketing and non-marketing) feel that marketing should have more influence and control over several areas

Sheth, Sisodia and Adina 'Image of marketing', 2003

Marketing – a discipline in crisis

- ‘Marketing effectiveness is down’
- ‘Marketing has no seat at board level and top management’
- ‘People resent marketing’
- ‘Academics aren’t relevant’
- ‘Ethical and moral crisis’

Marketing Renaissance – Editorial by Ruth Bolton, Journal of Marketing, October 2005

‘Does Marketing Need Reform?’ – Bentley College symposium, August 2004

(Jag Seth, Sisodia, Steve Brown, Glen Urban, Fred Webster, Bill Wilkie, Jag Rju)

EMAC 2008

- **Marketing Landscapes: A Pause for Thought**
- Marketing has come under increasing scrutiny by scholars, practitioners, governments, and pressure groups in the past decade. Leading scholars in the field have held special forums to debate what is perceived as **a decline in the status of marketing as a discipline**, and **its position in the corporate hierarchy from a central role in strategy making to a lower order functional role.**

Agenda for Reform

- Revitalize marketing within the organization
 - Staff and not line function
- Use technology to create mutual value
 - ‘Do-it-yourself marketing’
 - Value Co-creation
- Regain trust with customers
 - ‘Trust-oriented marketing’
 - Prominence of Corporate Brand
- Broaden marketing’s perspective
 - Social and Environmental marketing/ Holistic marketing/
Sustainability Marketing

Social Marketing

- Corporate Social Marketing
 - Supporting behavior change campaigns
- Cause Marketing
 - Promoting social issues through sponsorships, licensing and advertising
- Cause-related Marketing
 - Donating % of revenues to a specific cause based on the revenue occurring during the announced period of support
- Corporate Philanthropy
 - Making gifts of money, goods or time to help nonprofit organizations, groups, individuals
- Corporate community involvement
 - Providing in-kind or volunteer services in the community
- Socially Responsible business practices
 - Adapting and conducting business practices that protect the environment and human and animal rights

Fastfood Hamburger Industry

- Tasty but Unhealthy food
 - High fat content – promote fries and pies containing starch and fat
 - Hurting consumer health
- Convenient packaging but a lot of waste
 - Polystyrene foam shells
 - Paper waste
 - Environmental Problems
- McDonalds now added salads – healthier items in menu and started using recycled boxes and paper wraps
- Ordered suppliers to eliminate use of antibiotics on chicken, pigs and cattle which make them grow faster

Social Marketing

- Corporate Social Marketing
 - Supporting behavior change campaigns - McDonald's promotion of childhood immunization campaign
- Cause Marketing
 - Promoting social issues through sponsorships, licensing and advertising - McDonald's Sponsorship of Forest aimed at preserving endangered species for 10 years
- Cause-related Marketing
 - Donating % of revenues to a specific cause based on the revenue occurring during the announced period of support – McDonalds' earmarking \$1 for Ronald McDonald charities for children from sales of every Big Mac sold on McHappy Day
- Corporate Philanthropy
 - Making gifts of money, goods or time to help nonprofit organizations, groups, individuals - McDonalds' contributions to Ronald McDonald's House Charity
- Corporate community involvement
 - Providing in-kind or volunteer services in the community – McDonald's catering meals to firefighters during bushfire in Australia
- Socially Responsible business practices
 - Adapting and conducting business practices that protect the environment and human and animal rights – McDonald's requirement that suppliers increase the amount of living space for hens on factory farms

Greenwashing

Unjustified appropriation of environmental virtue by a company, an industry, a government, a politician or a non-government organization **to create pro-environmental image, sell a product or a policy or to try and rehabilitate their standing** with the public and decision makers

- Fibbing – lie, No proof, Irrelevance, Hidden Trade-off, Vagueness, Lesser of the two evils

Marketing 3.0

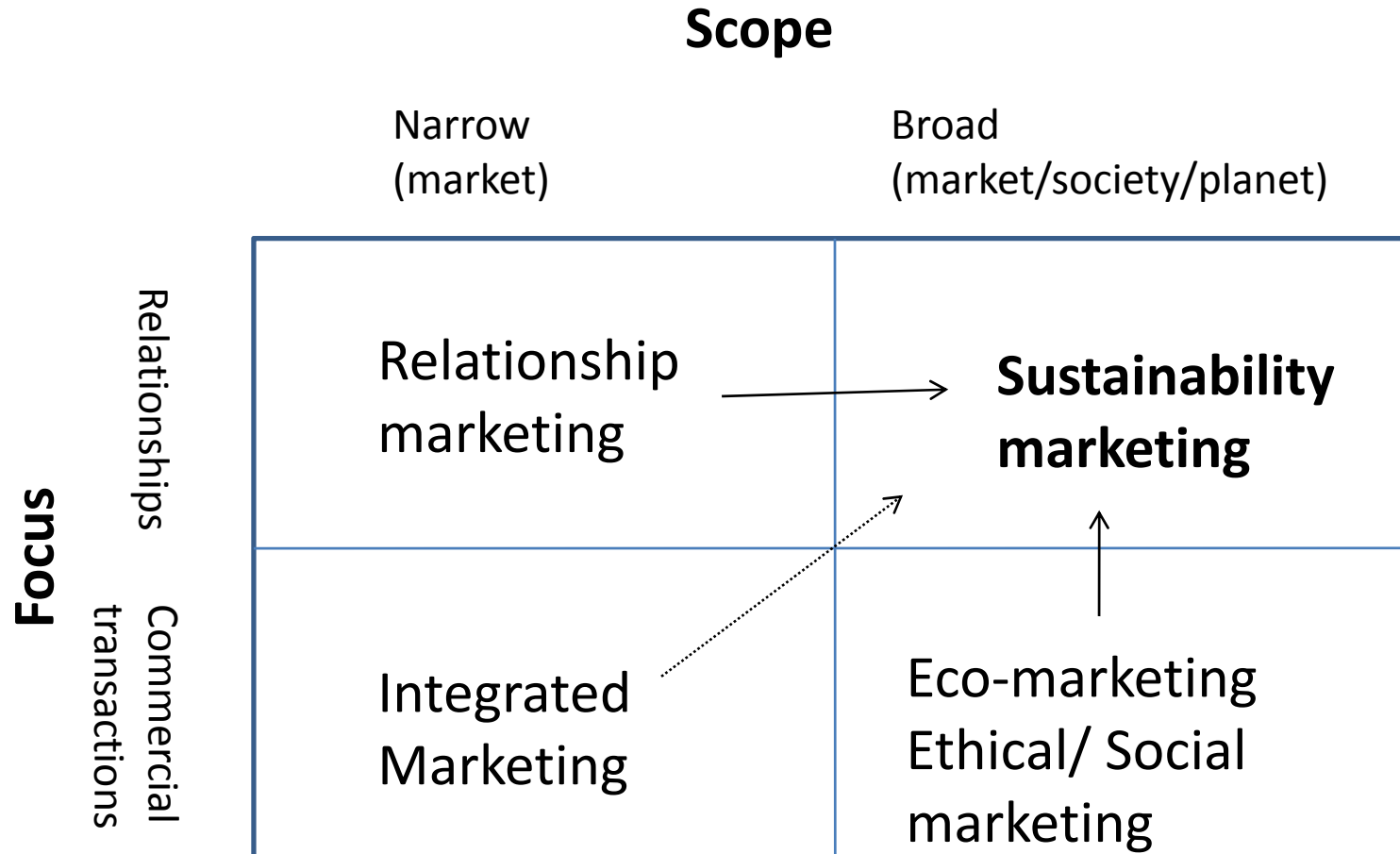
- Marketing 1.0 – Functional Value
- Marketing 2.0 – Emotional Value
- Marketing 3.0 – How companies meet their Social and Environmental Responsibility

- Driven by 4 key dimensions
 - Need – human and all living beings
 - Equity - Need satisfaction with inclusive orientation
 - Intergenerationality – present and future generations
 - Global Environmentalism - finite ability to meet needs

Holistic Marketing



Sustainability Marketing



Purpose of Marketing

Marketing is... the process through which economy is integrated into society to serve human needs

Peter Drucker (1958)

Thank You