

Marketing needs reform

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More than 55 years ago, in 1954, management guru Peter Drucker said 'Marketing... It encompasses the entire business. It is the whole business seen from the point of view of its final result, that is from the customer's point of view' suggesting marketing's dominance in business. However, over last couple of decades, scholars across the world are debating how marketing profession has lost its

clout within the organization and in the market place. In their book 'Image of Marketing' published in 2003, eminent marketing scholar Jagdish Sheth along with Rajendra Sisodia and Adina Barbulescu argue that marketing has lost its relevance and needs to redefine itself. The survey results presented by them indicated that 65% consumers have negative view of marketing and further that most pro-

professionals (marketing and non-marketing) feel that marketing should have more influence and control over several areas. Having found such scary findings they organized a symposium 'does marketing need reform' in 2004. This set the ball rolling for discourses on future of marketing as a discipline and in October 2005, leading scholarly journal, Journal of Marketing in its editorial presented discussions pointing to shocking views such as 'marketing effectiveness is down', 'people resent marketing', 'marketing has lost its strategic relevance within an organization and that there is no board level seat for marketing', 'marketing academics aren't relevant' and 'there is a grave ethical and moral crisis'. European Marketing Academy (EMAC) conference in 2008 revolved around this theme only which invited scholars 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.' The questions on marketing's relevance, importance, sustainability and the measures that can reform marketing which is future-ready are still being debated both by practitioners and academicians globally.

In this context, discussions on sustainability marketing become even more relevant. As marketing professionals, we all are concerned about survival and revival of marketing as a discipline which may come only with enduring positive effects and impact of marketing approaches on business and its environment. With pressures on producing quarterly results, many businesses have and are suffering from the myopic approaches creating questions on their futures. Businesses have learnt the hard way and have started to take long-term view. Marketing strategies and approaches which are practices with such broad vision is what sustainability marketing means. Such approaches are believed to be not only help survive and compete businesses in an enduring way but strengthen and revive the influence of marketing as a profession.

Of the 250 largest global companies, over 65% are already publishing a sustainability report. More than 3,000 companies across the world report on how they minimise their environmental footprint, engage with stakeholders, adopt fair social practices, or embed sustainability into their day-to-day business, R&D or marketing practices. Sustainability report-



ing is in its infancy in India. With over 7,000 listed companies, India has only a handful 36 companies as on 19th Jan.2011 reporting on sustainability strategy, vision, performance or governance as per Global reporting Index. These reports are mainly from oil & gas, mining, cement, steel, minerals, automotive, pharma and other such 'industrial' sectors. Thus, Indian companies need to pay specific attention to this emerging global phenomenon.

This article discusses the changing market place, emerging business challenges, issues to be addressed in sustainability marketing, and also present some useful thoughts and concepts which might help evolve strategies to address changing consumer concerns.

Sustainability Marketing

Sustainability marketing is nothing but, a strategy to ensure the survival and growth of businesses when the traditional business

& marketing concepts and practices are becoming less relevant and effective. In today's business environment, the impact of business on the society and the environment and the role of a business as such, are getting strongly critiqued. Business organizations are evaluated not only on the economic value of their offerings or their economic contributions but also on their fulfillment of their responsibility to different stakeholders and the society at large. Companies are expected to take responsibility for the consequences of their actions on the society as well as the natural environment. And hence, the importance of corporate social responsibility activities, demand for transparent corporate practices, better corporate governance and Triple Bottom-line Reporting is much pronounced, particularly in the last two decades. The concept of sustainable development has been defined as "meeting the needs of the present, without compromising the ability of future generations to meet their own needs." It combines economic, social and environmental concerns, and offers business opportunities for compa-



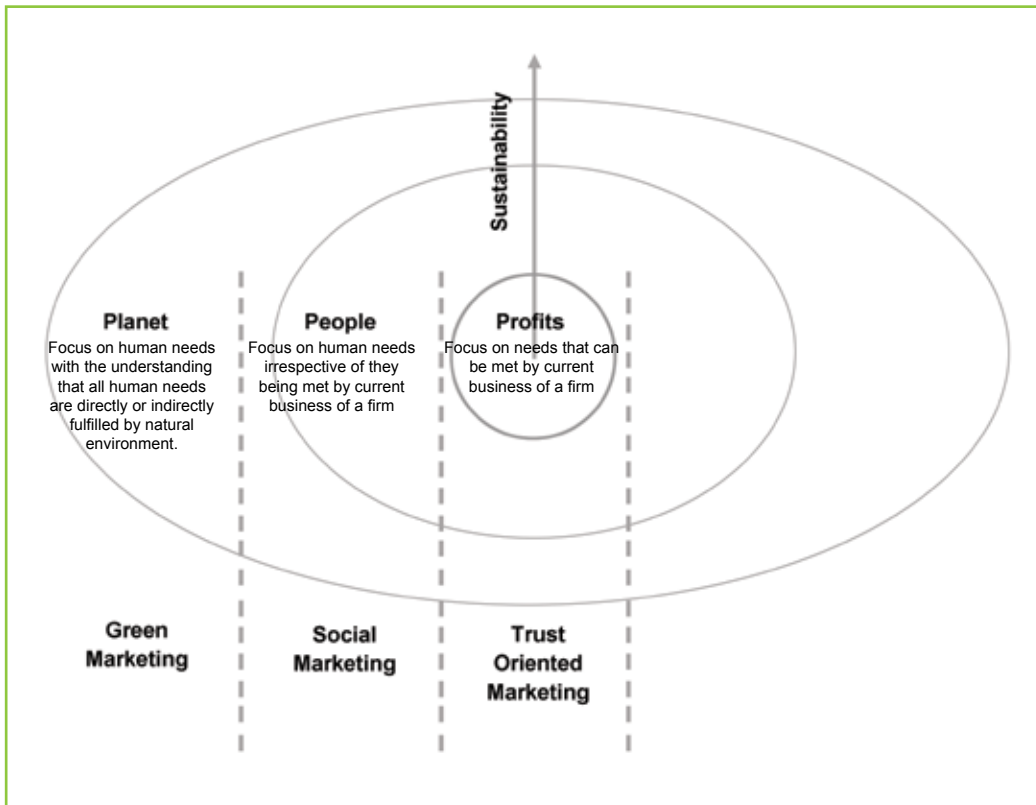


nies that can improve the lives of the world's population.

The fundamental assumptions of free market and capitalism for economic growth by increasing consumer choice and maximizing customer satisfaction are increasingly getting challenged in today's world. Environmentalists and management thinkers have been arguing for "Conscious capitalism"/ "Constrained Capitalism" to bring about the necessary transformation in business management. The thinking that "less is more" ; that less consumption gives more satisfaction and is good for the society at large, is starting to gain roots in a globalizing society where economic inequality is growing and the resources of the planet are fast getting depleted and endangered due to mindless consumption. At the same time, trust in business corporations as a whole has been in decline in the backdrop of many corporate scandals as well as the manipulative strategies employed by business at large and marketing function in particular to

achieve their selfish ends. Consequently, consumers and citizens find claims by companies less credible and manipulative for attaining their own selfish ends ; thanks to development of affordable social technologies and active interest groups.

Marketing in such a scenario has become less effective with their traditional firm centered perspectives and the marketers are being forced to think beyond positioning the product brand and "4P's" in identifying new business opportunities, developing new products and communicating and delivering value. Corporate brand, trust and reputation have started playing a significant role in the changed scenario. Consider the much talked about case of consumers boycotting Nike Shoe brands in the early nineties being aware of the corporate practice on use of child labour as well as poor working conditions at some of their Indonesian suppliers despite the high product quality and favorable brand equity of product brands. At the same time businesses are



such as: the amount of energy consumed and its origin, resource and material usage, emissions, effluents and waste management, land use and management of habitats.

Given that it is not easy to introduce sustainability practices into a large organization in a short time and, as not many organizations actively seek opportunities to invest in sustainability or embed it in their business practices even today, it offers a significant opportunity for organizations to create a sustainable competitive advantage. Thus sustainability marketing poses a challenge and offers an opportunity at the same time to the corporations.

also held accountable for the mindless use of natural resources without paying attention to the consequences of their action to the local community as well as the larger society. The protests around the disproportionate usage of ground water by coca cola for its bottling plants arose due to reduction in ground water in the region and non-availability of water for drinking as well as farming for the local community. The subsequent closing down of the plant in a village in Kerala bears testimony to the growing accountability of corporates for the consequences. Coca Cola however later realized the gravity of the problem and has taken steps by appointing personnel in all its bottling plants around the world to proactively address water management issues.

It is now imperative for businesses to revisit the fundamental assumptions of the old economic order and build businesses by meeting people, planet and profit (3P's) concerns, simultaneously. This means practices that is responsible for organizational performance concerning i) economic performance through fair-trade practices based on value co-creation, consumer trust and relationships, ii) Social performance that addresses interactions between an organisation and its community including employee relations, health and safety, non-discrimination, Indigenous rights, impact of community involvement, etc. and iii) Environmental performance that includes factors

Changing Marketplace, Emerging Business Challenges & Sustainability Marketing

Consumers are increasingly becoming more "active, informed and connected" in a society that is being transformed by information and communication technologies including mobile, internet and social media tech-





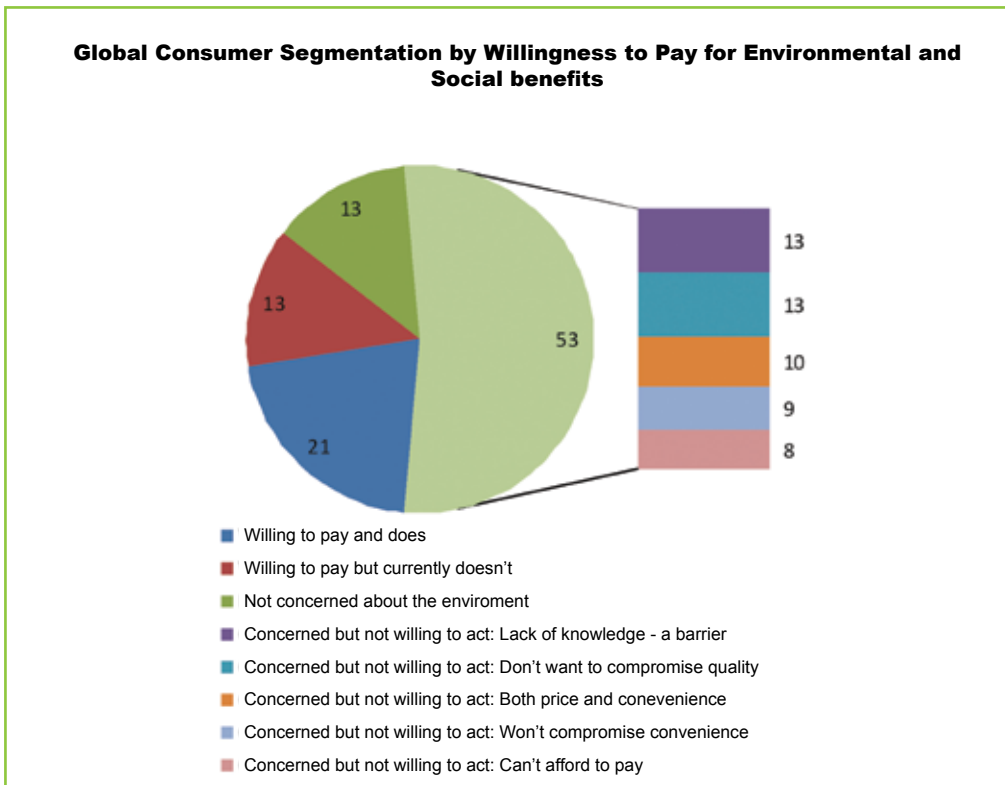
nologies. Liberalization of economic policies and globalization of industries has led to increase in competition both by regional and global firms leading to brand proliferation and increase in customer choice. Standardization of manufacturing technology and implementation of quality management has resulted in standardization of product quality in different industries. Quality and cost of the product was becoming less of a differentiating factor between different competitors in any industry. Consequently product branding has progressed from addressing the functional needs to symbolic needs to experiential needs of the consumers. Thus businesses are also forced to continuously search for new sources of competitive advantage to differentiate their offerings as well as the firms. At the same time consumers with a large choice set in any category wants to eliminate alternatives affecting their choice behavior as well as loyalty behavior. According to Mckinsey survey conducted in 2007 among 7751 consumers

across Brazil, Canada, china, France, India, Germany, UK and the US present interesting findings. As many as 21 percent of consumers not only say they are willing to pay more for ethically produced and environment-friendly products but actually do buy these products. These numbers must have sure gone up now in 2011. However, the analysis also highlights a number of challenges facing companies that hope to get those consumers—almost 53%—who say they are concerned about the environment and social issues to start acting with their wallets.

Consumer concerns about corporate social responsibility thus offer an opportunity for organizations to differentiate themselves and create competitive advantage by building strong customer relationships. At the same time when organization try to address the profit, planet and people concerns it may lead to new solutions that may save energy , reduce waste or use less of resources and reduce costs for

the company, thereby increasing value to the company as well as its customers.

total experience environment. As each customer derives his own unique experience from the firm interactions this offers an opportunity for firms to differentiate its offering; the brand is co-created and evolved with the experiences. An example of a business organization which has successfully co-created the brand through unique customer experiences is Nike. As Stefan Olander, the company's director of digital content noted, "In the past, the product was the end point of the consumer experience. Now it is the starting point." Nike in fact built the brand in unique ways. For examples, Nike's customers gain experiences of value to them through their participation and influence in the design process, by being a part of creating the product/service offering



The New Model for Value Creation

Value creation in the connected world of active and informed consumers is gradually diverging from the traditional model of predominantly company centric value creation to an emerging model where the value is co-created between the firm and millions of its consumers leveraging affordable new technologies for continuous customer interaction. In the earlier model of value creation production was done inside the firm and consumption by the consumers. The market defined as an aggregation of consumers was the "target" of the firm's offerings. In this scenario the information primarily flowed from the firm to consumers. In the changed business scenario consumers now seek to exercise their influence every part of the business system. Thus the concept of market is undergoing change and transforming the relationships with consumers and the firm. Co-creation converts the market into a forum where dialogues among the consumer, firm, consumer communities and networks of firms can take place. Markets thus can be viewed as a set of conversations between the customer and the firm. If market shifts from a set of consumers to the conversation between the consumers the focus of the interaction now shifts from the physical product or service delivered to the

by social networking with people who shared like-minded passion for the sport and by reducing the risk of dissatisfaction. The positive word of mouth from the community can reduce new product service failure and misalignment with the market and accelerate and enhance market acceptance.

Thus, it is evident that marketing in the age of value co-creation needs close continuous engagement with the customer communities using new communication technologies. Firms have to first earn the customers trust and establish their credibility to engage them in dialogue with the firm. As sustainability concerns, both- social and environmental, are getting more significant it becomes essential for firms to address these concerns in the best possible manner to earn customer trust.

Sustainability Efforts, Customer Trust and Competitive Advantage

Sustainability efforts can strengthen stakeholder relationships by building trust result-

ing in favorable outcomes for the corporate in the relationship. In a McKinsey Global Survey in 2010 shows that 72% of respondents said that considering sustainability is “extremely” or very important for managing corporate reputation and brands. In addition 55% agreed that investment in sustainability helped their companies build reputation and 36% see building reputation as a top reason for addressing sustainability issues. Research studies have established that also trust in customer relationships positively influence customer purchasing behavior as well as loyalty behavior.

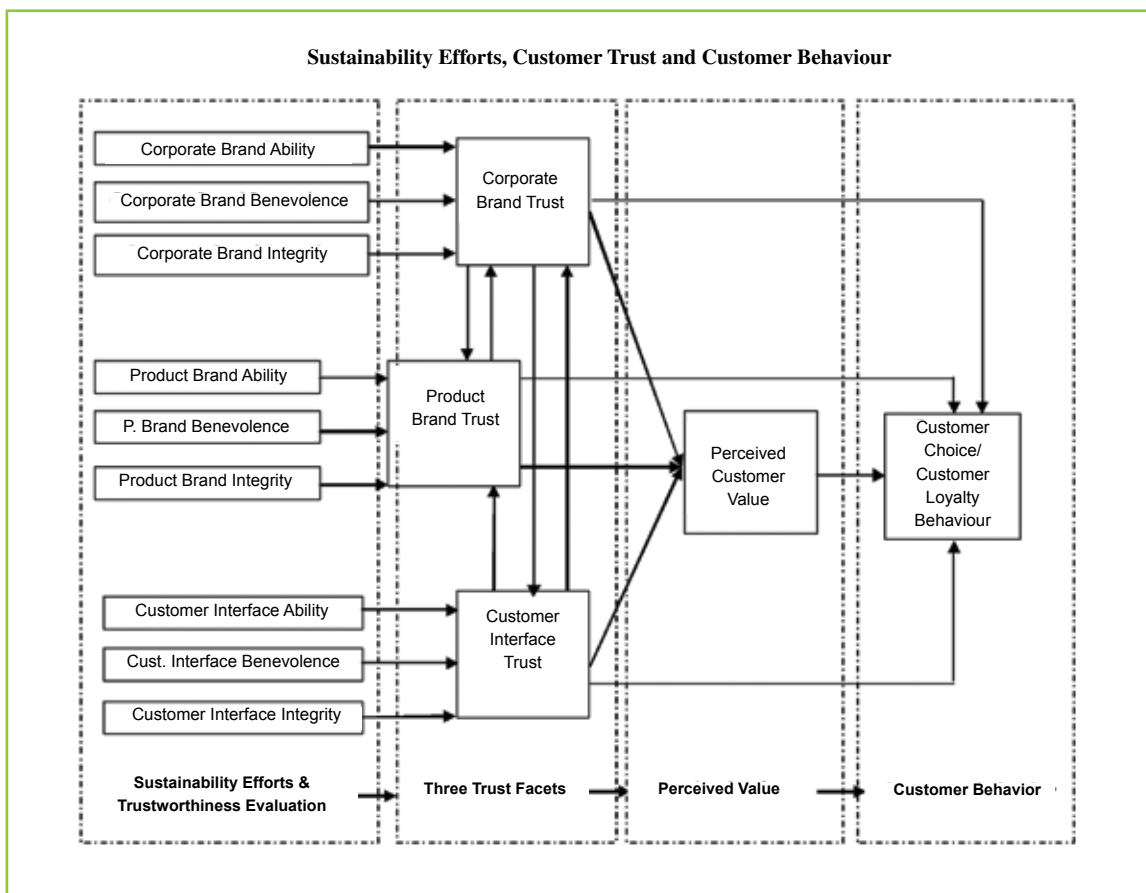
Customer trust influences behavior of both existing customers and potential customers. The mechanism by which customer trust affects relationship outcomes is described below. Understanding of the mechanism through which customer trust affects customer behavior helps organization assess the impact of sustainability initiatives on customer trust and thereby enabling the allocation of resources to attain the desired business results.

The model depicting the influence of customer trust and value on customer choice behavior and customer loyalty is shown below.



There are three entities in a customer relationship namely, the company which offers the product/ service, the product/ service offered

by the company and the customer interface which sells and /or provide services to the customers. Customer evaluates these three entities in the customer relationship- corporate brand, product brand and customer interface and develops trust in each of these entities (trust facets). The three trust facets are named as corporate brand trust, product brand trust and customer interface trust. Trustworthiness evaluation precedes the formation of trust. Customer





vantage by enhancing product brand trust, corporate brand trust and perceived customer value.

Making Sustainability Marketing Work

1. Aligning Sustainability Initiatives with firm's business goals

Sustainability initiatives are likely to be effective only if they are formally embedded in business practices. A McKinsey survey in 2010 on sustainability practices found that companies strongly engaged in sustainability have included it as a top three priority in their CEO's agendas. These engaged com-

panies actively sought opportunities to invest in sustainability and tracked the value created by sustainability in terms of reputation building and cost savings. Hence marketing initiatives in generating new product development ideas and brand building should include sustainability as a key agenda. These initiatives can't be seen as tactical activities for short term business benefits; on the contrary there should be shared understanding of the importance

evaluates each entity in the relationship namely the corporate brand, product brand and customer interface on the three generic dimensions of ability, benevolence and integrity. Trust in customer relationships is influenced differentially by the trust in each of these facets. Sustainability efforts may positively influence customer choice and loyalty behaviors by positively affecting the trustworthiness evaluation of the corporate brand and/or product brand facets. Sustainability efforts can also enhance customer value directly by improving efficiency, reducing wastage and passing on the benefits to the customer.

The model helps us understand the effect of corporate brand trust and product brand trust on customer choice behavior and customer loyalty behavior. Corporate brand and product brand trust affects customer behavior by: positively influencing each other, directly influencing customer behavior and indirectly influencing customer behavior by influencing customer perceived value in the offering. Corporate brands additionally affect consumer behavior through influencing customer interface trust too. Trust is a source of sustainable competitive advantage as it meets the conditions of valuable, rare, non-substitutable asset. The model has implications to managing and monitoring customer relationship by directing resources at sustainability efforts that has the most impact on the customer. Thus sustainability efforts can be a source of competitive ad-





and implications across different functions and teams across the organization.

Sustainability efforts can be a source of opportunity, innovation and competitive advantage. However it is not easy to decide to allocate resources for different sustainability options. Porter and Kramer 2006 offer inputs on how to select between different sustainability ideas to build corporate competitive advantage. The essential test, they suggest that should guide CSR, is not whether a cause is worthy but whether it presents opportunity to create shared value - that is a meaningful benefit for the society that is also valuable to the business. Appreciation of the business goals, social concerns and their link to competitive advantage will help the organizations make sustainable marketing work.

2. Re-organizing for Sustainability Marketing

To make sustainability work the marketing managers and the organization at large must integrate a social perspective into the core frameworks it already uses to understand competition and guide the formulation of marketing strategy and programs. Integrating business and social needs takes more than good intentions and leaderships. It requires

adjustments in the organization structure, reporting system and incentives. Value chain and competitive context investments in CSR need to be incorporated into the performance measures of managers with the CSR responsibility.

Empowering Marketing Professionals

Marketing managers and brand managers need to be empowered and have to think like CEO 's in the market they operate. This is to say they should have a broad understanding the social and environmental outcomes of business operations apart from the economic





outcomes and in-depth knowledge about the customers/segment whose needs they are addressing (“T- Shaped managers”).

3. Re- thinking Value Proposition

Adding a social dimension to the value proposition offers an opportunity for competitive positioning. Many companies are finding that they can do better by doing good. This essentially offers a route for marketing to move away from its over emphasis on image building to tangible value creation beneficial to both the firm and the society at large. At the same time it is essential that companies take an active approach in communicating the sustainability initiatives and their impact both within the organization as well as externally.

4. Managing Corporate Brand equity

As the firm addresses the social and environmental concerns in addition to the economic concerns, it builds trust with multiple stakeholders resulting in a stronger corporate brand. A strong corporate brand results in favorable stakeholder behavior and hence is a valuable asset for any organization. It can help the firm in multiple ways - in attracting talent by helping to build a strong employer brand, ensuring

low cost of capital by building a good investor brand and influencing the customer behavior resulting in favorable customer choice and loyalty behaviors. Sustainability marketing thus can contribute to building corporate brand equity which can be a source of competitive advantage.

Understanding the stakeholder evaluation of the corporate brand assumes significance in this context and hence firms should monitor and manage the trust in the corporate brand, product brand and customer interface by different stakeholders. The customer relationship model described in the paper can be employed to understand the antecedents of corporate brand trust as well as the consequences of it. Marketers may have to develop appropriate tools to measure the impact of sustainability programs both in the planning as well as in the implementation stages.

In a Nutshell:

It is becoming quite evident that “Marketing as usual just would not do” in an era where social and environmental issues are becom-

ing too critical for business to ignore. The social, environmental and profitability concerns popularly known as 3P's (People, Planet and Profits) need to be viewed holistically. Not only, organizations need to be responsible but the piecemeal practices of social and environmental responsibility initiatives need to have long-term strategic approach with emerging consumer concerns in mind.

End Notes

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- xi. *ibid*