

# Marketing and sustainability



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The Centre for Sustainable Design



Smart:Know-Net

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This booklet has been produced as a supporting publication for the Sustainable Marketing Knowledge Network (Smart: Know-Net) a web-based information and communication platform for marketers interested in sustainability, available at [www.cfsd.org.uk/smart-know-net](http://www.cfsd.org.uk/smart-know-net)

# Contents

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<b>Introduction</b>	<b>06</b>
· The evolving agenda	06
· The drivers for change	07
· Towards the triple bottom line	08
· The challenge for marketing	09

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<b>Discussion: key concepts</b>	<b>10</b>
· What is 'the environment'?	10
· What is ecology?	10
· What do people mean by 'environmental quality'?	10
· What is the concept of sustainability?	10
· What is green consumerism or socially conscious consumerism?	10
· What is sustainable consumption?	11
· What is the stakeholder concept?	11
· What is marketing?	11
· What is ecological marketing?	12
· What is greener marketing?	12
· What is sustainable marketing?	12

---

<b>Key sustainability issues</b>	<b>13</b>
----------------------------------	-----------

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<b>Strategic implications</b>	<b>14</b>
· Why get involved?	14
· How should companies address sustainability?	14
· Are there useful guides to business and marketing sustainability?	15
· What is marketing's role?	16

---

<b>Marketing strategy</b>	<b>18</b>
· How will sustainability affect the product life-cycle (PLC)?	19
· Competitive advantage	19
· Research	19

---

<b>Making the mix more sustainable</b>	<b>20</b>
Product	20
Checklist for a sustainable solutions developer	21
How can the development of sustainable solutions be encouraged?	21
Where does 'resource recovery' fit in?	21
How does customer service fit in?	22
Packaging	22
What is the best packaging?	23
Price	23
Place	25
Promotion	26
Developing campaigns	26
Media advertising	27
Literature	27
Public relations	27
Sponsorship	27
Personal selling	28
Direct marketing	28
Exhibitions and conferences	28
People	29

---

<b>Implications</b>	<b>30</b>
---------------------	-----------

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<b>The future</b>	<b>31</b>
-------------------	-----------

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<b>About the authors</b>	<b>32</b>
--------------------------	-----------

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<b>Key publications from the authors</b>	<b>34</b>
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# Introduction



“The significant problems we face cannot be solved at the same level of thinking we were at when we created them”

Albert Einstein

## The evolving agenda

A range of studies worldwide have shown that customers (whether they are consumers, businesses or public sector organisations), employees and investors tend to favour companies that are perceived to be socially and environmentally responsible – or in short, those that are *more sustainable*.

Concern about the environmental and social impacts of business is not new and has ebbed and flowed over many years. But the overall trend has been towards increased pressure for better environmental and social performance. In the 1970s concern about pollution, resource depletion and population growth impacted key industries such as oil, chemicals and cars. In the mid to late 1980s, there was renewed concern about these issues, which affected a wider range of industries including household products, cosmetics, tourism and food. There was a focus on particular product types such as aerosols, cars and detergents, and the so-called ‘green’ consumer emerged as a potential target market for firms. There was a rush to introduce environmentally ‘friendly’ or ‘friendlier’ products, all too often on the basis of unsubstantiated or exaggerated claims.

The early 1990s saw a continuing focus on the environment, but also with an increasing emphasis on the broader concept of sustainability, particularly after the *World Summit on Sustainable Development* in Rio 1992. The business agenda during the late 1990s became increasingly focussed on Corporate Social Responsibility (CSR) as another dimension of the sustainability agenda. This was partly linked to concerns about the impacts of globalisation. The emergence of global corporations and brands, the convergence of global consumer tastes, the growth of the internet and the trade liberalisation programme of the World Trade Organisation (WTO) have all combined to build global markets. These markets are increasingly serviced by global supply chains and by increased outsourcing of manufacturing to the developing world. This has raised concerns about the impacts on the environment and societies of less industrialised countries, reflected in Seattle and other protests against the WTO since 1999. There is growing scrutiny of ‘*the world behind the product*’ (Topfer, UNEP) with CSR and issues related to globalisation now emerging as a ‘third wave’ of concern.

*‘CSR is a base requirement of operating in the 21st century and is not an option’.*

*Tim Sharp, Director of Corporate Communications, Balfour Beatty.*

The CSR and sustainable development agenda are becoming increasingly prominent for companies and governments in the early years of the new Century, with 2002 providing another important milestone via the *World Summit on Sustainable Development* in Johannesburg.



## The drivers for change

Internationally, companies like *The Body Shop* and *Ben & Jerry's* pioneered green markets before the idea of business sustainability became widely acknowledged. In addition to such celebrity green brands, there have also been a range of less well-known companies operating in green niche markets, typically based on a deeply held set of values that creates rather than follows a market (eg. *Blackmores in Australia*, or *Tom's Of Maine* or *Seventh Generation* in the USA). An example of a company whose strategy strongly reflects its internal values is *Wilkhahn*:

*For Wilkhahn the basis of all entrepreneurial activity is the preservation of the ecological fundamentals of life, securing entrepreneurial independence and consequently securing jobs, respecting human dignity and due observation of social and ethical rules. We regard ourselves as as part of society for which we bear active responsibility. Wilkhahn will, therefore, in future support and promote the aims of sustainable development within the scope of what is possible for a medium-sized office furniture manufacturer.*

*The balance between economic, ecological, social and cultural goals, to secure desired independence, shapes corporate culture and the way in which Wilkhahn rates success. We involve our employees, distributors, customers and public opinion-formers in the implementation of corporate image. We shall keep them informed about developments in sustainability management and allow them due participation in further developments.*

*Source: Dr Jochen Hahne, Managing Director, Horst Knigge and Thorsten Pree, Director, 'Wilkhahn Added Values', Wilkhahn (www.wilkhahn.com), Bad Munder: Germany, June 2000.*

External pressure to improve the social and environmental performance of a company can come from a number of sources:

## Consumers

Individuals' concern about the environment is measurably growing and is being translated into a demand for greener products (although the precise extent to which consumers are willing and able to differentiate between products and brands on the basis of social and environmental performance is a contentious issue). Research from *The Cooperative Bank* has indicated there are distinct segments of greener, ethical consumers emerging who are becoming progressively more discerning about the products, brands and companies they patronise:

*A recent study by the Cooperative Bank in the UK suggested that around one in three people in the UK purchased on the basis of ethics in 1999. At least 5% of consumers consistently search for ethical labelling, recycle, get involved in boycotts and discuss issues related to brands.*

*Source: Cowe, R and Williams, S, quoted in Draper, S, 2000, p7, Corporate Nirvana – is the future socially responsible?, London: UK, Industrial Society.*

*In the USA Roper Starch Worldwide has identified five segments of consumers each with varying degrees of concern and action:*

- *The 'True Blue Greens' (major green purchasers and recyclers – 11%)*
- *The 'Greenback Greens' (will buy or give green, won't make lifestyle changes – 5%)*
- *'Sprouts' (who care but would only spend a little more to buy green – 33%)*
- *'Grousers' (who see the environment as a problem, but somebody else's – 18%)*
- *'Basic Browns' (who essentially don't care/won't care – 31%).*

*Source: Roper Green Gauge, (2000), Roper Starch Worldwide.*

## The media

In the run up to Rio in 1992 environmental concern, and consumer interest, were strongly influenced by media coverage of issues like Chernobyl and the Exxon Valdez. There has since been a series of peaks and troughs of concern throughout the nineties as issues have been highlighted by the media including the Brent Spar, BSE and genetically modified food.

*On a broader front the European media has been the leader on many CSR and sustainability issues, which have then been picked up in the US. Oxfam, Greenpeace and Amnesty International were often the key drivers of CSR and environmental coverage throughout the decade.*

*Source: Good News and Bad: The Media, Corporate Social Responsibility and Sustainable Development (2002), SustainAbility and Ketchum, in cooperation with UNEP.*

## Business-to-Business (B2B) customers

In Business-to-Business (B2B) markets companies may have little choice but to embrace change to satisfy their customers. There are growing numbers of companies large and small that are being certified to environmental and social management systems and standards such as ISO 14001, EMAS and SA8000. As part of this process, and to protect themselves from any accusations of allowing their suppliers to do their 'dirty work' for them, such companies are increasingly insisting on environmental and social audits and accreditations from their suppliers.

# Introduction

“CSR is a base requirement of operating in the 21st century and is not an option”

Tim Sharp, Director of Corporate Communications,  
Balfour Beatty

## Regulation

The range of social and environmentally orientated regulations facing companies has grown rapidly. Regulation is increasingly forcing producers to take responsibility for packaging waste and end-of-life consumer durables. Other measures are aimed at specific environmental problems such as contaminated land or climate levies which aims to reduce firm's CO<sub>2</sub> emissions. Regulation is also tackling issues of accountability (through 'Right to Know' measures) and social responsibility in relation to issues such as equal opportunities. Although environmental regulation in particular can seem almost overwhelmingly complex for smaller companies without legal specialists, helpful on-line guidance is becoming available (eg. via sites like NetRegs: [www.netregs.environment-agency.gov.uk](http://www.netregs.environment-agency.gov.uk))

## Public opinion

The *Brent Spar* controversy showed that a company with a good reputation, which abides by environmental regulations can still become the focus of media and environmental pressure groups, resulting in a public relations backlash.

*A study by the Conference Board (a US based economic research organisation) suggests that a high proportion of respondents (42%) believe that companies should be wholly or partially responsible for helping to solve social problems, whilst a further 33% said companies should focus on setting higher ethical standards, going beyond what is legally required.*

*Source: Zadek, S, (2001), Doing Good And Doing Well: Making The Business Case For Corporate Citizenship, New York: US, Conference Board.*

## Towards the triple bottom line

Environmental and social constraints close in almost daily on the operations of the firm – the depletion of natural resources, air and water pollution, regulations involving changes to hazardous waste, human rights in supply chains are just some of the examples – today's businesses can ill afford to operate by ignoring such factors if they are not to be caught with their trousers down! In a CNN world, where bad news can move across the internet at the speed of light, companies have to be accountable to a broader set of stakeholders. One of management's biggest hurdles is reconciling growing customer and investor expectations of a rising standard of living with the reality of deteriorating natural resources and environmental quality.

Sensitivity to the social, ethical and environmental context in which a firm operates is simply good business and certainly a pre-requisite for long-term legitimacy and survival. Firms must integrate these issues into their broader strategic thinking by adopting a 'triple bottom line' approach, rather than purely focusing on growth in market share, sales and profitability.

*'We believe there is a direct correlation between good performance in integrating corporate responsibility policies and good business performance... It's no longer sufficient just to sit back and simply comply with the law and imagine that's enough. Our customers expect us to go beyond the letter of the law in many crucial areas now'.*

*'There is a growing trend towards greater consideration by mainstream investors of the risks and opportunities these issues pose to our business, not for altruistic reasons but simply because the management of an issue such as GM has the potential to affect significantly our commercial performance'.*

*Mike Barry, Environmental Systems Manager, Marks & Spencer Plc.*

*Source: Ethical Corporation magazine, February 2002.*



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### The sustainable business value matrix

The Sustainable Business Value Matrix (an online sustainability management tool) maps ten dimensions of business sustainability performance with ten measures of business success. Based on extensive research, the matrix reinforces the business case – for sustainable development performance, especially in corporations but also generally. The business case will be shifting over time and is being monitored. Overall the research provides evidence of strong links between business leadership in sustainability performance and business value creation. Positive links to financial performance alone are strong and suggest a business case can be made without resorting exclusively to indirect or intangible measures. The business case is, however, strongest when multiple measures are considered, emphasising the need to take a holistic approach.

Of the ten measures of business value or success, brand value and reputation is most positively linked to sustainability performance, confirming that business case analysis should not focus exclusively on financial measures. Reputation and brand value are linked to ethics, values and socio-economic development.

Of the ten sustainability dimensions, environmental process focus is supported by the strongest business case, being strongly linked to shareholder value, operational efficiency, access to capital and risk profile. The business case for environmental performance is well established and much recited. This is followed by workplace conditions, strongly linked to revenue, operational efficiency and human and intellectual capital. Next comes environmental product focus, strongly linked to innovation value. Other factors and links vary in importance.

Source: *SustainAbility* (2001), *Buried Treasure: Uncovering the Business Case for Corporate Sustainability*, London: UK

Leading sustainability thinkers state that being green and socially responsible is good for business both using traditional and social measures. Businesses, as a key role player in the global society, have a wider social responsibility to the communities they operate within – and to the suppliers within their supply networks or chains. Recognition of this increasing trend has led to the re-emergence of CSR, now positioned along side eco-efficiency to tackle the sustainability agenda, instead of being portrayed as a separate and often competing agenda as it was in earlier decades.

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### The challenge for marketing

Companies should begin to prepare for a more sustainable millennium by re-examining the social and environmental impacts of their marketing strategies. This means re-evaluating their product and service portfolios, as well as the way these products and services are created, produced and marketed. However, this can be a complex challenge for marketers. It can involve looking at impacts for customers and other stakeholders, including those that occur before the actual product is produced (eg. from raw material sourcing) or long after it is disposed of. This takes marketers outside of their traditional frame of reference.

Over the last decade or so, store shelves have been filled with greener products as diverse as cadmium-free batteries, ozone-safe aerosols, recycled toilet tissue, catalytic converters, unbleached tea bags and cruelty free cosmetics. However, the greening of marketing has not always gone smoothly. There have been regular controversies over environmental claims, political problems in developing green labelling schemes, and practical problems in the establishment of recycling initiatives. Some companies have been disappointed with the reception of their 'green' ranges, and withdrawn them, but many leading manufacturers have developed their ranges further, because it made good business sense.

Market leaders such as *Philips* and *Electrolux* are now starting to incorporate environmental considerations systematically in new product development, and this has led to the development of the ISO14062 guidelines covering the integration of environmental considerations into product design and development.

Marketers have an involvement in the sustainability debate both at a macro and micro level, even though they may not know it. Marketing has a key strategic role as the interface between consumption and production, with a considerable influence over the construction of the company's product/market portfolio and also over its communications efforts. At a micro level marketing usually has a key role at the beginning and end of the product/service development process. Therefore marketing professionals need appropriate education, information, training and tools to enable them to take account of CSR and environmental issues in their decision-making.

Many of the ramifications of sustainability will go to the heart of the organisation, and will have major implications for the way that business operates into the new millennium. Business and marketing in particular can become more sustainable and it will be good from a 'people, planet, profit' viewpoint. However, for many marketers the pursuit of sustainability takes them into uncharted territory, and confronts them with many new and difficult questions. What are the benefits of incorporating social, ethical and environmental issues into day-to-day decisions making? How can business identify and make the most of the opportunities arising from the new agenda? How can companies address these issues without being accused of 'bandwagon jumping' or superficial responses? These are just some of the difficult and complex questions being asked.

The objectives of this booklet are to prompt further questioning and discussion, and to provide some practical ideas and checklists for action.

# Discussion: key concepts



“A new era of economic growth that is forceful and at the same time socially and environmentally sustainable; an economy is sustainable if it meets the needs of the present without compromising the ability of the future generations to meet their own needs”

Source: Brundtland Report 1987

Before we try to tackle the issue of ‘Marketing and sustainability’ it may be useful to explain some of the key terms and ideas involved:

## What is ‘the environment’?

‘The environment’ is used loosely to describe factors around us locally, regionally and globally. In recent times it has almost become interchangeable with the word *green*.

Business schools refer to the environment as a series of uncontrollable elements surrounding the firm. It can be helpful to use the label ‘biosphere’ to refer to the natural environment to distinguish it from the social, economic and political environment of business. In a sense each organism can be said to have its own physical, chemical and biological environment.

## What is ecology?

The word ecology is derived from the Greek *oikos* and *logos* meaning the ‘study of home’ (*okologie*). The science was developed from the work of Ernest Haeckel when investigating ‘*the study of living things within their environmental context*’.

Ecological thinking underlines the interrelationship of the human and natural environments. It has recently been applied to ethical concerns over the human use of resources, and the disposal of by-products and wastes.

## What do people mean by ‘environmental quality’?

Environmental quality can be defined as the satisfaction of individual needs in a manner that will yield the maximum benefits to the individual while minimising the effects or changes on people and natural resources. This may be extended to the concept of ‘quality of life’ and ‘well-being’ – making the link between a person and his or her broader surroundings.

## What is the concept of sustainability?

Sustainability means to maintain or prolong both environmental and human health and is simply good management. It means the movement towards the use of renewable rather than finite raw materials, minimisation and eventual elimination of polluting effluents and toxic or hazardous wastes. It places a moral obligation on firms involved with the exploitation of natural resources to investigate renewable and sustainable alternatives.

Sustainable growth can be defined as:

*‘A new era of economic growth that is forceful and at the same time socially and environmentally sustainable; an economy is sustainable if it meets the needs of the present without compromising the ability of the future generations to meet their own needs’.*

Source: Brundtland Report (1987).

This illustrates how the needs of the market economy and nature’s economy are intertwined. Economic sustainability must be based on ecological and social sustainability, as there is no economy, unless there is a planet.

## What is green consumerism or socially conscious consumerism?

Green consumerism can be described as the use of individual consumer power to promote less environmentally damaging consumption, while still satisfying consumer wants and needs. A range of issues mobilised this phenomenon in the late eighties and early nineties and this was partly facilitated by books like the *Green Consumer Guide* (Elkington and Hailes, 1988, Victor Gollancz, London).

However, a more radical ‘darker green’ perspective on green consumerism might be:

*‘Green consumerism means a great deal more than simply changing over from an earth bashing product to a slightly more environmentally sensitive one. It means questioning both the nature and volume of our consumption’.*

Source: Jonathon Porritt 1989 from ‘How to be Green’.

Socially conscious consumerism is a more all-embracing concept. It can be defined as the buying or boycotting of products or services against a set of social and ethical criteria such as excluding companies that are involved in trading with socially undesirable countries, animal testing, nuclear and military sales. The recognition of this wider ethos was promoted throughout publications such as *'The New Consumer'*, *'The Ethical Consumer'* and *'Shopping for a Better World'*.

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### What is sustainable consumption?

This does not necessarily mean consuming less. This may mean consuming differently and smarter – rather than necessarily reducing the consumption of goods and services – which may require substantial changes in the way consumers behave, as well as changes in corporate activity.

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### What is the stakeholder concept?

The stakeholder concept refers to the idea that the operation of the firm is dependant on a number of inter-acting groups, the sum of which is greater than its individual parts, which include:

#### Customers

Certain groups of customers increasingly want to buy from companies that have demonstrably greener and socially responsible operations, products and services. This can be reflected in consumer preferences and in the purchasing criteria of companies and other organisations.

#### Shareholders

Many investors now accept that environmental excellence is synonymous with good management, and funds are flowing to companies that are working towards sustainable, environmentally responsible profits (eg. FTSE4Good and Dow Jones Sustainability Index constituents).

By 2001 the volume of monies in green and ethical funds was over £4 billion in the UK and \$2 trillion in the USA. Changes to UK pension law is now requiring companies to take an even closer interest in the social and environmental performance of their pension fund investments.

#### Business partners

Many suppliers are beginning to realise that if they can demonstrate greener and socially responsible operations this may increase their competitiveness in winning contracts with large progressive companies, especially those that have achieved ISO14001, EMAS and SA8000.

#### Employees

Employees' creativity and enthusiasm can be harnessed to the benefit of the company if they are kept informed and involved in improving environmental and social performance.

#### Community

People value their environment and look to business to help protect it; business can win valuable support from the community by responding to local demands. In many cases special interest groups form to protect these widely diverse set of interests.

#### Government

Who have a responsibility to ensure that society's welfare, social and economic, is protected, which frequently involves regulating consumer and business activity.

#### Those to come

One of the distinguishing features about a sustainable approach to business and marketing is the consideration of the needs of future stakeholders. Unless business activities today become more sustainable, then the benefits enjoyed by customers and shareholders today, will be at the expense of those enjoyed by customers, shareholders and other stakeholders in future.

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### The rise of stakeholder value

It is generally agreed that the primary aim of companies is to create and deliver value. The traditional focus has been on value for shareholders and to a lesser extent customers and other stakeholders. There is increasing recognition that a successful firm delivers value for all its stakeholders and this challenges the still entrenched view that companies only exist to serve the, often short term, interests of shareholders. The business case for sustainability is becoming increasingly clear and lies in its positive effect on business value. Value is central to the concept of sustainable development in that it is about creating economic value while conserving environmental, cultural and other value. In a sustainable system, businesses should meet multiple stakeholder needs whilst minimising negative environmental and social impacts by means, for example, of value loops and networks retaining materials in the system and creating new, fair employment opportunities.

*Source: SustainAbility (2001), Buried Treasure: Uncovering the Business Case for Corporate Sustainability, London: UK.*

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### What is marketing?

Marketing can be defined both as a business philosophy, and a collection of management techniques, orientated towards providing value to consumers, organisations and society. While there are a range of views on the domain of marketing, all would agree that its scope is much broader than sales or advertising. The keystone of marketing is a customer focus :

*'Marketing is the whole business seen from its final result, that is from the customer's point of view'.*

*Peter Drucker*

*'Marketing is the management process for identifying, anticipating and satisfying customer requirements profitably'.*

*The Chartered Institute of Marketing*

# Discussion: key concepts

“Marketing is the whole business seen from its final result, that is from the customer’s point of view”

Peter Drucker

Companies vary in terms of what they focus on for success:

## A production orientation

An emphasis on product standardisation and mass production, low unit costs and good quality control, with marketing mainly restricted to distribution.

## A sales orientation

An emphasis on advertising and personal selling to find new customers and markets, and to build sales volume.

## A marketing orientation

An emphasis on researching pre-purchase attitudes and on meeting consumer preferences and repeat business through customer satisfaction.

## Generic marketing

Which considers the needs of all stakeholders, not just customers, in order to work effectively within increasingly politicised markets.

## Societal marketing

Which aims to generate customer satisfaction and long term consumer and public welfare as the key to satisfying organisational goals and responsibilities.

In recent years new concepts of marketing have evolved which emphasise marketing as a physical system, and which focus on environmental as well as societal impacts. These include ecological marketing, greener marketing and sustainable marketing.

## What is ecological marketing?

The concept of ecological marketing was developed in the 1970s. It was particularly concerned with all products and production methods that:

- have served to help cause environmental problems
- may serve to provide a remedy to environmental problems.

It is the study of the positive and negative aspects of marketing activities related to pollution reduction and resource depletion.

## What is greener marketing?

During the last 15 years some leading companies have adopted greener approaches to marketing. ‘Greener Marketing’ can be described as:

*‘A holistic and responsible management process that identifies, anticipates, satisfies and fulfils stakeholder requirements, for a reasonable reward, that does not adversely affect human or natural environmental wellbeing’.*

*Source: Charter, M, Greener Marketing: A Greener Marketing Approach to Business, Greenleaf Publishing, Sheffield, UK, 1992*

Greener marketing reflects the emergence of significant changes to traditional consumption patterns. There has been a growth in consumers and businesses, using ethical and environmental criteria within at least some of their buying decisions. Companies that recognise this and offer an ethical or greener choice may provide opportunities for differentiation through organisational factors, rather than pure marketing factors, as consumers, employees and investors seek to direct their efforts into positive areas. Individuals and businesses do not just buy brands, but also *buy* company philosophies and policies. Increasingly, individuals will vote on environmental, social and ethical issues with their purchase, investment and employment decisions.

## What is sustainable marketing?

Greener marketing is characterised by a focus on environmental issues, and by an emphasis on reducing environmental damage. Sustainable marketing is the next natural step forwards, with an emphasis on progress towards greater sustainability. It is a broader management concept which focuses on achieving the ‘triple bottom line’ through creating, producing and delivering sustainable solutions with higher *net* sustainable value whilst continuously satisfying customers and other stakeholders.

# Key sustainability issues

Sustainability recognises the inter-twinning of environmental, social and economic progress and well-being. Businesses, from the small firm to the trans-national, will need to accept and develop responses to business sustainability issues on a local, regional, national and international scale. As *3M* described it, '*business will need to accept a moral imperative towards planetary ecological problems*'. Sustainability encompasses a wide range of issues, some of the key ones include:

## Population pressure

The world's population has doubled from around 3 billion to over 6 billion in the last 50 years. The UN forecasts the addition of a further 3.3 billion people between 2000–2050 as the most likely future scenario. Only a rapid decrease in the birth rate in the next decade can halt the expected severe degradation of our natural habitats, many of which are already under pressure. This will be most felt in developing regions where over 90% of the forecast population growth will occur and where environmental controls are still being developed.

## Production and consumption

Population growth leads to increased levels of production and consumption. This is intensified by the fact that a growing proportion of the world has expectations for better material living standards and an increasing number have discretionary spending power. The growth in consumption of energy, water and wood in particular is creating concern about future social and environmental impacts.

## Globalisation

The globalisation of trade has often been proposed as a means of closing the gap between rich and poor nations and better meeting the world's consumption needs. Practical experience is casting increasing doubt on this. Individuals are becoming increasingly aware of the North-South divide, the need for more sustainable development, the ethics of third world marketing and use of child-labour in out-sourced factories. As public awareness increases, people are starting to focus on the activities of trans-national corporations. The globalisation movement is also targeting major brands such as *Nestle*, *Nike* and *Gap* that are perceived not to be acting socially responsibly. Growth of use of the internet and access to global news networks is moving us ever closer towards the concept of '*the global village*'.

## Global warming and climate change

A quadrupling of carbon dioxide (CO<sub>2</sub>) emissions over the last 50 years have raised concerns about the potential for global warming and climate change. Although the effects of climate changes are difficult to predict accurately, climate-based impacts on industries such as insurance and agriculture are already growing. To avoid irreversible consequences it has been internationally agreed that two forms of preventive action are required:

- reduction of CO<sub>2</sub> emissions
- a ban on the use of chlorofluorocarbons (CFCs).

## Ozone depletion

CFCs and greenhouse gases deplete the ozone layer letting through increased levels of harmful ultraviolet radiation, with potentially devastating health effects. The global response has begun with the 1987 Montreal Protocol – but increased participation from all countries is required to return the protective ozone layer to its previous levels.

## Acid rain

Air pollution as a result of sulphur dioxide (SO<sub>2</sub>) and nitrogen oxide (NO<sub>x</sub>) emissions leads to acidification and environmental damage, particularly to forests and lakes. Acid rain is also damaging to buildings, cars and even to human health. The US Government values the potential indirect health benefits of significantly reducing acid rain at over \$50 billion annually.

## Genetic engineering

The use of genetically modified organisms (GMOs) as a means of increasing crop yields has been suggested as an important contribution to reducing world hunger. Critics point to the potentially disastrous effects that any mistakes would have, if there were unintended flows of genes and characteristics between species or unforeseen impacts on the balance of natural systems.

## Loss of habitats and species diversity

Biological diversity is the wealth of life – plants, animals, micro-organisms and the genes they contain. All this is maintained by a range of different habitats. Retaining this diversity is essential for many reasons. It allows us to adapt crops and livestock to changing conditions and to retain the yet unknown medical applications for many plant based compounds.



# Strategic implications



“To create a sense of community amongst practitioners, academics, policy makers and students with an interest in marketing and sustainability”

## Why get involved?

In the short term taking a more sustainable position may enhance corporate image and develop customer appreciation. However, it is essential to understand the firms' direct and indirect environmental and social impacts before these benefits are pursued. Bandwagon jumping is a very dangerous activity, and some companies with a very respectable record on social and environmental issues have been recipients of a 'Green Con of the Year Award' from *Friends of the Earth* because they promoted a product as 'green' without proper research or follow-through.

In the medium to long term, the generation of an honest sense of confidence will earn a competitive advantage if a consistently responsible approach has been taken.

If managers do not develop a more sustainable stance there may be a longer-term problems in:

- marketing products
- keeping within the law
- recruiting and retaining able staff
- disposing of waste
- obtaining insurance
- attracting finance for organic expansion or acquisition
- maintaining shareholder confidence, company share price and therefore control of the company.

## How should companies address sustainability?

Business can either be responsive to the need for the better physical environment and improved 'quality of life' – or it can feel the eventual impact through consumer, shareholder and other stakeholder pressure. The question for the environmentally and socially responsible company is: does it decide what is 'environmentally or ethically right' or does it react to what external stakeholders want and will accept?

As society and the business community begin to accept their moral obligation to pursue sustainable development, then companies will increasingly need to assess their position on specific environmental and CSR issues. This will require an integrated approach across functional areas including marketing, production and the supply networks. Companies will need to develop a clear position on sustainability issues if they are to attract and retain the support of new customers, employees, investors and other stakeholders in order to sustain their own growth and future success.

Brands are becoming increasingly important in consumer markets, and a strong brand is something that companies are keen to develop, nurture and sustain. Increasingly sustainability issues are becoming linked to reputation management and 'brand trust'. Within increased outsourcing and contract manufacturing there is a need to be highly sensitive to societal and consumer concerns (eg. about GMOs), and seek to reduce environmental and social impacts within supply networks. A strong brand implies high visibility and brings the threat of targeting by the media or pressure groups following any social or environmental incidents or scandals.

Companies will need to be aware that solving one environmental or social problem may create a new set of problems or opportunities. It will be essential to recognise that 'trade-offs' will occur and compromises may need to be made in relation to a firm's financial, social and environmental performance. Therefore systematic intelligence gathering, monitoring and control systems must be established to ensure corrective action is taken when necessary. Companies will need to construct a 'sustainability radar' to pick up new issues as they emerge, as well as monitoring existing areas of sensitivity.

### Are there useful guides to business and marketing sustainability?

The increase in awareness of environmental and CSR issues has led to calls for new frameworks to understand and respond to them. Although there are a range of standards dealing with environmental and social management issues (eg. ISO14001, EMAS and SA8000), compliance is often managed in different 'silos' in the firm. In response to this, Project SIGMA ([www.projectsigma.co.uk](http://www.projectsigma.co.uk)) has developed a more holistic management framework that aims to tackle the complex financial, environmental and social aspects of business sustainability. For marketers, a web-based platform has been developed called the *Sustainable Marketing Knowledge Network* (*Smart: Know-Net*). This is a joint initiative between The Centre for Sustainable Design ([www.cfsd.org.uk](http://www.cfsd.org.uk)) and BRASS at Cardiff University ([www.brass.cf.ac.uk](http://www.brass.cf.ac.uk)) in association with J. Ottman Consulting ([www.GreenMarketing.com](http://www.GreenMarketing.com)) and Victoria University ([www.business.vu.edu.au](http://www.business.vu.edu.au)); with support from Centrica Plc.

### Mission

*Smart: Know-Net* ([www.cfsd.org.uk/smart-know-net](http://www.cfsd.org.uk/smart-know-net)) is a virtual and physical network that aims to facilitate discussion, create new ideas, produce knowledge and disseminate intelligence related to marketing and sustainability.

### Goals

*Smart: Know-Net* aims:

- to develop strategic discussion over the role and implications of marketing in progressing towards more sustainable systems of production and consumption within more sustainable societies
- to develop methodologies, tools and training for marketing professionals
- to disseminate new ideas, information and best practice that can contribute to making the discipline of marketing more sustainable
- to create a sense of community amongst practitioners, academics, policy makers and students with an interest in marketing and sustainability.

### Information

CfSD and BRASS have conducted research to determine useful links related to marketing and sustainability.

### Services

*Smart: Know-Net* seeks to support marketing practitioners interested in sustainability with:

- research
- conferences
- workshops
- e-discussion
- tools
- training.

### A strategic response

Increasingly pro-active companies will look at potential opportunities and threats arising from the sustainability agenda, when deciding how to position their companies in response, and how rapidly they should attempt to make any changes. Organisations will develop different levels of commitment to environmental and social matters dependent on their values and 'world view'. Much will depend on industry 'sensitivity', corporate culture, senior management commitment, competitive considerations, brand considerations and company size.

Responding to sustainability issues can be an open-ended commitment, and even a relatively tactical 'me-too' response to match competitors which can attract stakeholder attention and bring pressure for further changes. Business should start to progressively move towards a policy of excellence in environmental performance and CSR. This process will take time and as such needs to be planned for, with appropriate targets and resources. Companies may move through several stages (see diagram below).

As the company moves beyond considering the impacts of particular products and services towards consideration of the impacts of the company as a whole, so it will need to think differently about the company and traditional organisational boundaries. The inter-relationship of environmental and CSR considerations will affect each business function in the organisation, and it will be essential that a holistic view is taken. This will also involve broadening perspectives to take account of the wider role of stakeholders in the development of more sustainable solutions.



# Strategic implications

“The precise role of marketing in responding to sustainability issues will vary among companies depending on their industry, size, corporate culture”

Pro-active organisations should take a number of steps to move towards the goal of higher levels of integrated sustainability performance, including:

- development and publication a sustainability policy
- completion of appropriate environmental and social audits
- establishment of objectives and preparation of an action programme
- establishing board level responsibility
- allocation of adequate resources
- education and training
- monitoring the evolution of the business sustainability agenda
- development of sustainability performance metrics
- integration of environmental and social information systems into management information and control systems
- contribution to environmental and CSR programmes
- helping build bridges between parties with an interest in the firm's social and environmental performance.

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## What is marketing's role?

The precise role of marketing in responding to sustainability issues will vary among companies depending on their industry, size, corporate culture and whether the style of marketing they practice is classically customer-led, technology (product) led or communications focused. For companies in markets characterised by green pressure from customers, marketers may lead the move towards more sustainable products, services and strategies. In companies where the decision to pursue sustainability is based more on corporate values, or broader issues of CSR, marketers may well be handed a mandate to pursue sustainability through the revision and re-alignment of corporate strategy. This may involve the marketing of the company in addition to more conventional product related marketing.

To respond effectively, marketing as a function needs to address a range of questions from the broad and strategic, to the specific and technical. Some of the broad, corporate level questions that will need to be tackled include:

- has the marketing plan analysed the effect of sustainability issues on company activities?
- has the company conducted market research into the probable impacts on the firm of sustainability issues?
- can the company modify existing products, services or processes to take account of sustainability considerations? or will new innovations be required?
- is the company developing positive links with environmental and human rights groups?
- do communications strategies accurately emphasise environmental and social considerations?



For companies, their brands and their products or services to become more sustainable, and be perceived as more sustainable, it requires that a strategy is fully backed up by more than good marketing. It is essential that co-ordinated multi-functional plans are developed, with clear objectives, strategies, programmes and resources necessary for their effective implementation. Examples of key questions that will need to be addressed by other business functions include:

#### Personnel

- what steps are being taken to increase awareness of sustainability amongst key internal and external stakeholders in the product or service development/delivery process?
- what part does sustainability play in induction programmes for marketing and other business functions?
- has the company completed management secondments to environmental or human rights organisations?
- has the company considered the development of a conservation group as part of the social activities?
- are employees encouraged to play an active role in the local community?
- does the company have a good track record on equal opportunities and human rights?

#### Operations

- is the company actively seeking cleaner production technologies?
- how good is the company's record on waste management and minimisation?
- what is the internal record on health and safety?
- does the company actively look at pollution prevention measures?
- what methods are used to deal with pollution incidents?

#### Facilities

- have company cars been changed to lead-free petrol (or alternatives such as natural gas)? Is it providing incentives for low mileage?
- is telecommuting supported?
- are new cars fitted with catalytic converters?
- is recycled paper being used?
- is recycling encouraged?
- does the company canteen provide organic food?

#### Purchasing

- does the company conduct a sustainability screen on new and existing suppliers?
- does the company examine the processes that suppliers use to produce raw materials or components?
- does the company examine the working conditions of suppliers?
- are the suppliers investing in improved environmental technologies?
- is the company actively examining the use of local suppliers?
- are more sustainable materials actively being sought?
- are partnerships being established to create smarter, cleaner materials?

#### Finance

- does the company have a sustainable investment policy?
- has the company considered the wider issues related to ethical investment?
- where is the company pension scheme invested?
- are environmental and social implications being built into project costing systems?
- does the company distribute monies to environmental organisations?



# Marketing strategy



“Electrolux’s ‘Green Range’ of white goods, which have a lower environmental impact, achieved a 3.5% higher gross margin than the company’s standard range”

Source: Hedstrom, G, Shopley, J and LeDuc, C, 2000, Realising the sustainable development premium, Arthur D Little

Developing more sustainable marketing strategies can present novel challenges to marketers. It involves familiar activities such as the researching of customer needs, preferences and expectations and the analysis of the company’s ability to meet those expectations compared to its rivals. It can also require new types of information on stakeholder attitudes to sustainability issues relevant to the sourcing, production, use or disposal of the product. Key strategic choices will involve identifying markets that are likely to grow as a result of sustainability concerns, and products or services which can be positioned as market leaders in social or environmental performance within sensitive markets.

Success in many markets will require a change in focus away from products towards services or total product/service packages, for example, moving to offering sustainable mobility solutions rather than providing cars (ie. shifting mindsets to satisfying customer needs through functional solutions rather than through products per se).

## Sustainable value, sustainable solutions and sustainable product design and development

### Sustainable value (the goal)

The aggregate of sustainability (economic, environmental, social) impacts of a product, service or system through its life cycle. These impacts can be positive or negative and the aim is to continuously improve net sustainable value... there is a need to consider all the internal and external elements in the value chain. Sustainable Value is a stakeholder driven process that focuses on delivering value to all stakeholders involved in creating and delivering sustainable solutions.

### Sustainable solutions (the output)

Products, services, hybrids or system changes minimising negative and maximising positive sustainability impacts throughout the life cycle while fulfilling acceptable societal needs. Sustainable solutions require multi-stakeholder engagement and involve shifts in consumption and production patterns. Changes may be incremental at the product level or radical if system shifts are needed.

### Sustainable product design and development (the process)

The management process of integrating sustainability issues and impacts into the solutions development process, from idea generation through to launch and beyond. The aim is to maximise net sustainable value and satisfy all customers, users as well as others who have a stake in sustainable solutions or the SPDD process.

Source: Charter M, Clark T (2002), Sustainable Value, Greenleaf Publishing, Sheffield: UK.

## How will sustainability affect the product life cycle (PLC)?

Traditionally, products are said to go through a series of life cycle stages from development, launch, to growth, maturity and decline. This is an economic view of a product's evolution based on sales volume. It is also important to think of the environmental and social impacts of the product over time. Life Cycle Thinking (LCT) should be used to evaluate the sustainability impacts of the product, service or system from 'cradle to grave' (ie. from extraction, to manufacturing, to transport, through use and disposal). It is important not to confuse LCT with Life Cycle Analysis (LCA). LCA is one example of an environmental evaluation tool that may be used in the product development process.

*Nike for example have developed a five stage ecological lifecycle for their sports footwear:*

- 1 *Research and design: where they aim to design in post-consumer materials and design out hazardous materials*
- 2 *Manufacturing: working with business partners to implement improvements such as their 'Regrind' technology to utilise excess mould rubber.*
- 3 *Retail: where box styles have been reduced from 18 to 2 and 100 percent post-consumer recycled corrugated cardboard boxes have been developed.*
- 4 *Consumers: The Reuse-A-Shoe scheme has already kept more than 7.5 million post-consumer and defective shoes out of landfills*
- 5 *Downcycling: where reclaimed shoe material is recycled into sports surfaces like tennis courts.*

## Competitive advantage

A number of leading authorities, including Professor Michael Porter of Harvard Business School in the US, have championed the 'win-win' concept in which better socio-environmental performance leads to better marketplace performance. This can be by successfully differentiating a product on the basis of good environmental and social performance. It can also arise from cost savings or design innovations which accrue from the process of trying to reduce the material and energy usage, and the pollution and waste associated with a product or service.

*Electrolux's 'Green Range' of white goods, which have a lower environmental impact, achieved a 3.5% higher gross margin than the company's standard range.*

*Source: Hedstrom, G, Shopley, J and LeDuc, C (2000), Realising the Sustainable Development Premium, Arthur D Little.*

Physical product or service attributes outside basic functional characteristics may become less important, especially in mature markets with many 'me-too' products. Differentiation may start to arise outside the basic brand through 'sounder' processes, policies and philosophies – it will be increasingly important to get the 'back office' in order to address increasing stakeholder concerns about the 'world behind the product'. Before any decisions are made the total product and service portfolio must be examined for environmental and social risks. The overall impact on the organisation of the provision of a combination of sustainable and non-sustainable product/service offerings must be considered, including the short, medium and long-term implications.

*The Cooperative Bank has gained 205,000 customers, and continues to grow, largely due to the explicit ethical policy launched in 1992. Its position is cited to be a powerful differentiator that creates tremendous customer loyalty.*

*Source: Hedstrom, G, Shopley, J and LeDuc, C (2000), Realising the Sustainable Development Premium, Arthur D Little.*

## Research

Tokenism towards environmental and social issues will not be tolerated. If companies are perceived as not 'walking the talk' their attempts to generate competitive advantage can do more harm than good. Companies that come in for criticism often do so, not because they were attempting to mislead or gain an undeserved advantage, but because their approach to environmental and social issues was 'one dimensional' or not well enough informed. Research is vital to identify the key issues as they affect the firm, and provide correct information and advice, given the existing scientific knowledge. Prior to launch, products and services should be thoroughly researched and tested, as many of the issues will be complex and dynamic.

Questioning should consider areas such as:

- does the new product or service fulfil a real customer need? is it really more sustainable than existing alternatives? what specific items have been altered to ensure that product or service is more sustainable?
- what steps have been taken to ensure that the product or service lessens negative environmental and social impacts and enhances *net* sustainable value?
- is the product or service likely to be still acceptable within the next 3–5 years? or will it need to be adapted?
- has thorough primary research been completed? are Sustainability Information Systems established? are they integrated into a Marketing Information System (MKIS) or an overall Management Information System (MIS)?

# Making 'the mix' more sustainable



“MORI completed a survey of 1,935 British adults and found that during the course of the survey, that 30% had bought a product or service because of a link to a charitable organisation, while 28% had boycotted a company’s product on ethical grounds”

Source: Adkins, S, (1999), *Cause-related marketing: who cares wins*, Oxford: UK, Butterworth.

Business sustainability is a holistic concept – and many firms are uncomfortable with this, preferring to keep environmental and CSR issues separate. Sustainable marketing requires an aware, open and targeted approach to environmental and social issues which takes account of all direct and indirect stakeholders. Companies embarking on environmentally and socially related strategies need to debate the total effect of launching a more sustainable product or service programme. Heightened media attention is likely to focus attention on the company’s other market operations and on the company, in general. This means there is a need to consider the environmental and social impacts of products and services from ‘cradle to grave’ – from procurement of materials, manufacturing, to distribution, consumption and disposal (or reverse engineering) – both from an environmental and social point of view. It also means that all the aspects of the marketing mix need to be considered, although the emphasis across the mix will change dependent on the company, its product or service portfolio, its markets and its particular circumstances.

## Product

Products and services offered will need to be modified and adapted to changing customer attitudes and tougher legislation. In some cases firms may need to work with various stakeholders to bring about changes in the overall consumption system, not simply change corporate activity.

*MORI completed a survey of 1935 British adults and found that during the course of the survey, that 30% had bought a product or service because of a link to a charitable organisation, while 28% had boycotted a company’s product on ethical grounds.*

Source: Adkins, S, (1999), *Cause-related marketing: who cares wins*, Oxford: UK, Butterworth).

What are sustainable product or service characteristics?

- designed to satisfy a genuine human need
- not harmful to human health
- greener throughout the life cycle.

Desirable in the ‘Age of Sustainability’ should be:

- energy efficient (ie. reduced CO<sub>2</sub> emissions)
- non-polluting
- easily repairable
- designed to last
- re-usable and recyclable
- minimised packaging
- manufactured from renewable resources.
- removal of hazardous materials
- manufactured from locally sourced material, to minimise transport costs
- provision of sufficient information
- not tested on animals
- no use of ‘child labour’ in manufacturing (in-house or contract)
- no use of ‘forced labour’ in manufacturing (in-house or contract).

### Varian: financial benefits of greener products

#### Background

Varian Medical Systems Ltd, a UK based medical equipment manufacturer, used an approach pioneered by its US parent company to help green its products. This approach is known as 'design for value maximisation' (DfVM), which uses:

- cross-functional teams to stimulate innovation
- life-cycle design considerations of materials and components used
- process mapping of the manufacturing process to identify all costs
- activity-based costing to allocate costs to the specific activities that 'drive' a product instead of assigning costs of labour materials and overheads.

Environmental and other benefits that resulted from implementing the DfVM approach:

- 65% reduction in overall part count from 1,392 to 490 parts/unit
- the number of fasteners in one key product (collimators) cut by 29% from 905 to 644
- electroplated fasteners replaced by stainless fasteners
- steel inserts removed from aluminium castings
- a more modular design, allowing easier upgrading to extend product life
- breaking down departmental barriers, fostering a more proactive approach to product development.

Source: Electronic equipment manufacturer benefits from cleaner design: a new practice case study at Varian Medical Systems UK Ltd, (September 1999), NC201, ETBPP (now Envirowise), Oxford: UK.

### Checklist for a sustainable solutions developer

The sustainable product or service developer must take into account changing attitudes and a tougher legislative regime in many countries.

- could the product or service be cleaner?
- can it be more energy efficient?
- could it be quieter?
- could it be more intelligent?
- what happens when it's useful life ends?
- could it find a secondary market?
- can it be designed for re-usability?
- can it easily be repaired?
- can its life be extended through regular maintenance?
- can it be rented or leasing?
- is shared ownership an option?
- could higher levels of service be added?

### How can the development of sustainable solutions be encouraged?

Companies should develop an active re-investment policy for research and development into sustainable products and services, and encourage sustainable innovation, creativity and collaboration. If a new product or service development system is operative, a percentage of the budget should be allocated solely to the creation of sustainable product or service pilot projects, both in relation to new solutions, as well as modifications to existing products or services. If a formal system is not established it may be worth encouraging employees to generate ideas for more sustainable solutions by developing extra incentives for sustainable innovation and creativity. Integral to the approach should be an active sourcing of new sustainable materials, with continuous auditing of suppliers.

### Where does 'resource recovery' fit in?

Developing more eco-efficient products will require the development of 'resource loops' in which materials are recovered and reused within the system. The success of recycling schemes is dependent on the secondary re-sale of the material. To be cost effective, government will need to intervene to help stimulate the market for recycled materials, and encourage higher levels of corporate and local authority investment.

For companies, recycling can be used to save money, generate revenue and improve community relations. Recycling schemes are often most successful when operated in partnership with local authorities, local pressure groups and schools.

There are three key approaches:

- reuse systems, for example, returnable containers
- special resource recovery systems for papers, cans or bottles
- general resource recovery through separation and energy recovery.

In the future companies are likely to be required to establish 'take-back' systems for packaging, electronics, automobiles and other products – and this is already happening in certain more environmentally advanced countries. However this will mean that companies will have additional opportunities to develop relationships with customers and others in the reverse supply chain. It must be remembered that while the firm is a producer, they are also a consumer of products and services and their own purchasing and consumption behaviours needs to be examined as well.

# Making 'the mix' more sustainable

“Design for reparability should be encouraged in product design and returns data should be collected and analysed to enable products to be modified and improved continuously”

## How does customer service fit in?

Through encouraging and educating customers, the company is likely to stay closer to changing attitudes and an open, honest policy will increase customer confidence and trust. The emphasis of customer service and customer care policies should be on quality, problem solving, reliability, after sales service, speed of delivery and courtesy. This may in fact transform individuals from consumers of products, where they own products, to consumers of services where they purchase 'need satisfaction solutions' rather than products per se. This focus could lead, for example, to the development of more durable products with the loss of repeat business from a greater emphasis on product longevity compensated for by increased revenues from the servicing. Some companies already provide 'platforms' free and make money through maintenance and upgrading services.

Design for reparability should be encouraged in product design and returns data should be collected and analysed to enable products to be modified and improved continuously.

*Bristol-Myers Squibb is an example of a company that provides information and tools relating to environmental health and safety as a part of their commitment to sustainability and customer support. Customers, for example, can download a guide to best practice and innovations in health care environmental management from their web site.*

## Packaging

Packaging has been on the front line in 'marketing and environment' debates. Various challenges are faced by packaging because:

- it is immediately noticeable as litter
- it is considered wasteful by the final consumer
- food scares have been associated with various forms of packaging
- plastic is perceived to last forever
- landfill sites are increasingly scarce and expensive.
- card and paper may wrongly be associated with destruction of rain forests.

The issue of packaging is high on the list of consumer's environmental concerns and is becoming a major issue for both retailers and manufacturers due to the EC Packaging Waste Directive.

Key packaging issues vary between product types but seven general demands can be stated:

- product protection – throughout the distribution chain
- cost efficiency – contributing to reduced production and distribution costs
- product quality – retaining quality during storage and distribution
- tamper evident – providing assurance that package is not already opened
- information – necessary to meet legal requirements and consumer demands
- shelf appeal – providing a final incentive to buy (as consumers' environmental awareness increases this may mean less or minimal packaging)
- environmental safety – to safeguard the future environment.

Key questions that need to be asked in relation to any form of packaging include:

- is the packaging necessary?
- is the packaging used safe? Is it biodegradable, photodegradable, natural, reusable or recycled?
- is the packaging primarily functional? is it exceeding its requirements for storage, transport and use?
- do we need individual single-portion blister packs?
- are alternative forms of packaging available?
- how might packaging be recycled or reused?

*An example of a successful packaging reduction was Warner-Lambert's US Mouthwash Waste Minimisation Initiative which aimed to:*

- *minimise consumer and transport packaging waste by redesigning the consumer packaging and by using reusable or recyclable transport packaging*
- *minimise production waste by continuously improving process efficiency and following good operating practices.*

*A key change was made to replace the paper-wrapped glass bottle with a polyethylene terephthalate (PET) bottle, and replace the batch mixing process with a continuous manufacturing process and automated packaging line. As a result:*

- *59,307,500 pounds of solid waste were eliminated during 1995 by redesigning the consumer packaging for mouthwash products*
- *\$1 million dollars was saved in avoided disposal fees by eliminating packaging waste*
- *approximately 136,400 pounds of transport packaging waste was eliminated during 1995 by changing from single-use to reusable shipping containers for bottle caps*
- *flammable liquid waste declined 27% from 1994 to 1995.*

## What is the best packaging?

There is no one best form of packaging – it depends on the function of the package, however the four main types of packaging are briefly evaluated below:

### Glass

This is claimed to be the best as it has been recycled for many years and is the most established form of recycled packaging. It suffers by comparison with plastic on the basis of how many containers can be transported on a lorry at one time, and the resulting implications for transportation and energy consumption.

### Cans

These are usually steel or aluminium, both of which can be recycled separately. One of the biggest problems, is the lack of infrastructure. The new style drinks cans, with the ring pull attached, are greener in that the pull is not separated from the can. The cost of recycling aluminium is approximately 5% of the cost of using virgin material and thus is a viable alternative.

### Plastics

Not only is plastic difficult to dispose of, it also causes pollution in manufacture and is based on the finite resource of oil. The main advantage is that it is light, cheap and easy to transport. New plastics are being developed and biodegradable plastics are now available. At present this is still relatively expensive and opposed by environment groups, because it could damage the output of plastic recycling operations. Recycling of plastics is also available, although there is a need to undertake sorting to maintain quality levels.

### Card and paper

Card and paper tends to be produced from recycled paper waste and Canadian and Scandinavian coniferous forests grown for the purpose. This form of packaging is biodegradable. However it is associated with litter, takes an unknown time to break down and may leave toxic residues. While recycling is readily available it does also involve other changes to marketing, such as using lead-free inks.

## Price

Price is a key element of the sustainable marketing equation. Traditionally economic theory has dictated that many environmental and social costs are treated as 'externalities' and not included within existing market structures. This means that external costs, such as those linked to pollution, are not reflected in the prices of the products that we buy, or the cost accounting of the companies that produce them. This situation is gradually changing. Many of these 'external' costs are now having a price attached to them by legislation and stakeholder pressure. Legislation is making companies more responsible for emissions and the use of new fiscal measures such as carbon taxes is also increasing costs for business. If the Government increases the relative price of non-green products it may encourage the purchase of more beneficial substitutes.

### How much will greening affect costs?

Many of the costs of environmental protection have never been included in conventional cost accounting. In the short-term, costs of newer cleaner production processes may be passed onto customers, even though over time considerable cost savings can be achieved. Since society as a whole bears the costs of externalities, this potentially gives environmentally irresponsible actors a short-term cost advantage. Industries have often lobbied against environmental legislation on the basis the increased costs will lead to reduced competitiveness and loss of jobs. It is worth noting that the predictions of doom that have accompanied environmental legislation in industries such as cars and aerosols have usually proved to be exaggerated. In practice firms have often been able to mitigate forecast cost rises through innovation and efficiency improvements.

# Making 'the mix' more sustainable

“Surveys worldwide have indicated that people will pay more for greener products, however manufacturers should be careful not to exclude market interest through premium pricing”

For example, Dow Chemical developed the WRAP Programme (Waste Reduction Always Pays) and 3M, the 3P policy (Pollution Prevention Pays) which has saved them over \$482m (April 1989). These pro-active companies have committed themselves to major waste reduction programmes, which have created huge savings, compensating for initial capital outlay.

### How price sensitive is the green market?

Surveys worldwide have indicated that people will pay more for greener products, however manufacturers should be careful not to exclude market interest through premium pricing. There is typically an action/awareness gap in consumer markets, with expressed concern not matched by the levels of purchasing at the checkout. When considering setting pricing strategies companies must ensure that products or services perform as well or even considerably better than less sustainable alternatives on performance, quality, functionality – it is then that improved sustainability performance will act as a key differentiator.

### More sustainable prices

Pricing decisions have the capability of helping direct the flow of consumption into socially and environmentally useful areas. The real challenge is translating environmental improvement into value for the consumer, or at least into a value proposition that they are willing to pay for. There are a number of ways that pricing decisions can demonstrate a commitment to sustainability. These include:

- Giving  
A proportion of the price can be openly linked to environmental or social causes or indirectly distributed to social and environmental causes via membership of institutions such as 'The PerCent Club'.

- Partnership pricing  
Prices also express market power, and in some markets the power of customers to drive down prices can drive suppliers out of business or towards unsustainable practices. In Japan, the Seikatsu Club has demonstrated that a close relationship between its member and organic farmers can lead to consumers setting prices in consultation with the producers.
- Demarketing  
Prices can be raised to reduce the consumption of environmentally sensitive products. Price increases can be used to reduce energy consumption or to reduce the flow of tourists to unique and vulnerable habitats, or attractions which are in danger of being overwhelmed (eg. Madam Tussauds in London has used price increases as a de-marketing measure).
- Green tariffs  
In the UK electricity industry, environmentally concerned consumers can opt for a 'green tariff' from many suppliers. This costs about £18 per year more for a typical family, but ensures that the energy purchased on the customer's behalf comes from more sustainable sources.
- Alternative pricing  
The Local Exchange Trading System (LETS) has been established in several communities around the world. LETS is a self-regulating approach, which allows its members to issue and manage their own money supply within a bounded system. There is a strong incentive to economic activity, because each transaction represents local skills and resources meeting local needs.

*A UK variation on LETS was developed by Practical Alternatives called Green Economy. The aim was to develop a nationwide network of local economies based on human skills with people and small businesses buying and selling with ordinary money, or green pounds with payments made by credit transfer; the buyer trades with the seller who trades with the Green Economy. The seller's account is then credited and the buyer's account is debited.*



## Place

The physical distribution, wholesaling and retailing of products and services has both direct and indirect environmental impacts. These can be lessened through careful and prudent management. *Place* not only involves where consumers purchase goods, but also includes the movement of goods within the firm. As the environmental costs of fossil fuels are more accurately reflected through measures such as the climate levy, so distribution systems may return to a focus on more localised production and distribution systems.

Can the physical distribution process be greened?

- where is the company located? How can the environmental impact be lessened?
- how close are facilities sited to suppliers, wholesalers and retailers?
- have third party distributors implemented greener policies?
- can physical distribution be planned to reduce mileage, and hence cut down on air emissions eg. CO<sub>2</sub>?
- are transport planners examining opportunities to encourage the use of railways over roads, and efficient route planning to reduce energy use and therefore air pollution?
- are suppliers' vehicles fitted with catalytic converters?
- how often are suppliers' vehicle engines tuned?
- what efforts are being made to cut down on noise and air pollution for vehicles?

Have retailers conducted an environmental review, covering areas such as:

- suppliers, eg. growers, food processors and manufacturers
- warehousing, transport and other distribution operations
- store management, including energy efficiency measures
- waste management and recycling companies.

Are retailers encouraging the development of a recycling infrastructure? how far do they want to get involved?

- reuse systems (eg. returnable containers)
- separation at a resource recovery centre
- what are the implications for town planning?
- are retailers considering energy recovery systems?

Retailers should encourage the active use of recycling facilities in conjunction with local authorities, local pressure groups and schools, for:

- batteries
- textiles
- compostable materials
- CFC recovery from refrigerators.

The issue of reverse logistics (establishing systems to assist in the recycling of materials) might also be considered under the discussion of place. In considering reverse logistics it is important for firms to consider the following points:

- recognition – monitor goods so they flow through the reverse logistics process
- recovery – collect goods for reprocessing.
- review – test materials to evaluate whether they meet appropriate reprocessing standards or might be disassembled for parts or disposal
- renewal – re-manufacturing the product up to its original standards or claim appropriate parts for reuse
- removal – dispose of materials that cannot be remanufactured and market the remanufactured goods to new or existing customers.
- re-engineering – evaluate if existing goods can be better designed.

*Verizon (formed by the merger of former Bell Atlantic and GTE) set up a Logistics Recovery Operation to recover and reuse materials. In 9 regional centres across the USA, obsolete equipment is sorted and either sold as used, or dismantled for parts and materials to be recycled. During 2000 Verizon gained \$500,000 in additional revenue and reduced disposal costs thanks to these efforts.*

*Individual processing facilities dealt with as much as 32 million pounds of material, and achieved rates as high as 98% for either reselling it as reusable product or recycling it.*

# Making 'the mix' more sustainable

“A variety of approaches can be taken using a range of promotional media, but the key watchwords for all communication is that it must be appropriate, consistent and co-ordinated”

## Promotion

The company should develop an integrated communications approach that includes 'company-specific' and 'product specific' aspects of environmental and CSR matters. The strategies and claims made by the firm must be based on sound research and information. Information must be communicated consistently to customers and other stakeholders, and companies should be wary of any claims or communication that could be viewed as hype. Consumers, pressure groups and the media already form a critical audience. If claims are inaccurate and unsubstantiated then negative publicity will be attracted. Claims which are over-ambitious, vague or which do not have a good sense of 'synergy' with the product and company have been shown to risk damaging customer perceptions.

Claims should be checked with customers, scientists and other stakeholders in 'civil society'. Alleged environmental benefits should be scientifically accurate. Marketing and environmental managers, copywriters and graphic designers must be made aware of the issues and systems should be established to take account of new information.

*During the 1990's AEG used advertising which placed their domestic appliances in an 'ecological' setting, and which focused on key benefits such as saving water and energy and reducing noise. In 1995 when applied to a newly launched dishwasher range, it created an unprecedented rise in AEG's home market of 38%. By 1998 German women named AEG as the most 'sympathetic' brand overall, and AEG have benefited from a distinctive and strong brand image in a crowded European market.*

## Developing campaigns

Whatever the nature of the company and its product or service, if a promotional strategy is being developed based around environmental and social issues, then a number of general questions need to be asked including:

- has market research been conducted to define the size, characteristics and behaviour of target market(s) and other audiences?
- what balance of emphasis is required between corporate-level communication and product/service communication?
- is the company aware of guidelines and projects on greener advertising practice – including eco-labelling and green claims?
- do consumers understand what eco- and energy labelling programmes mean?
- how informative is labelling? should the company be considering ISO type I, II or III labelling?
- how careful is the company about distinguishing between terms, eg. recycled and recyclable?
- is the company incorporating positive actions being taken on environmental issues through photographs, illustrations or copy? are the images used appropriate?
- does the promotional mechanism contain correct information on the company's contribution to the environment and society?

- do the firm's advertising, direct marketing and market research agencies understand 'the issues'?
- should the organisation be examining agencies that are taking positive initiatives on the environment and CSR?
- what communication tools should be considered?
- have agencies completed business sustainability projects?
- how knowledgeable are the company's printers and designers on green issues?

A variety of approaches can be taken using a range of promotional media, but the key watchwords for all communication is that it must be appropriate, consistent and co-ordinated.

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### Media advertising

- what newspapers, magazines, television and media cover your target markets? what other business interests do they have?
- are environmental and social campaigns scrutinised carefully before being launched, how can claims be verified, and who can provide substantiation?

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### Literature

- have the needs of the target audience been sufficiently researched and defined?
- does the company have a clear view of the target audience's understanding of the issues?
- have company stationery and brochures been changed to paper and board from sustainably managed forests? does the company understand the arguments related to pre-and post-consumer waste?

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### Public relations

- has the company developed a clear communications approach for its stakeholders?
- has the company understood stakeholders' concerns on the issues?
- has the company conducted any notable environmental or CSR projects? who should be told about it?

PR agencies will want to promote companies' CSR efforts because they are seen to communicate something about the character of the company. But PR practitioners must be cautious because the exploitation of CSR may raise a range of questions over the moral motivation of the programme. The task of PR should be to ensure that CSR and business sustainability is truly representative of the organisation and that the image matches reality.

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### Sponsorship

Sponsorship is a flexible targeted approach, with direct environmental benefits to both the company and the environmental or social group supported. Any sponsorship project should be co-ordinated with other elements within the communications mix to ensure the best results. While these are usually designed to promote links between the firm and an environmental or social issue, there should be some logical association between the two.

Sponsorship can take many forms:

- providing money or land to conservation projects
- providing secondees, equipment or training to environmental, conservation, or human rights organisations
- linking purchases to donations
- contributing to local community activities
- contributing to infrastructure or community projects in developing countries.

Customers are likely to react positively to having their collective purchasing power put to good use.

*Diageo reported that between 1994 and 1998, 22 cause-related marketing projects helped to raise 600,000 UK pounds for causes while increasing sales of tracked brands by 37%.*

*Source: Business for Social Responsibility, (2000)*

# Making 'the mix' more sustainable

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Source: Business for Social Responsibility, (2000)

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## Personal selling

Within marketing, personal selling is an important tool for some types of products or services, especially in 'business to business' (B2B) markets. As such when trying to market sustainable products and services to other businesses it is essential that those involved in the marketing of these products or services understand the complexities of sustainability and what it may mean for potential customers. It is important for salespeople to be educated in the issues to enable them to communicate the benefits of the sustainable products and services in a way that is meaningful for each customer or organisation.

- are the salesforce developing relationships or selling one-off products?
- are policies to promote ethical behaviour within the salesforce in place, monitored and enforced?
- do the salesforce understand the company's sustainability policies? have they received any training?
- has the car fleet been converted to catalytic converters? are there opportunities to provide 'sustainability mobility' packages?
- has the company developed a policy over the acceptance and distribution of business gifts?
- are the salesforce being given incentives to positively promote sustainable products or services?

*Lex Vehicle Leasing has recognised the central role that its sales staff will play in its strategy of reducing the CO<sub>2</sub> emissions from their car fleet by 33% by the year 2008, saying that success is dependent on personnel being fully conversant with company policy on 'clean' vehicles and the reasons behind it. Lex's salesforce is being trained on all aspects of clean, vehicles, including their environmental benefits; availability; technologies used; infrastructural support needed; and costings.*

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## Direct marketing

Greening of direct mail is a valuable way to reduce paper and therefore environmental impact and costs. The development of email, internet and website communications means that marketers can provide more targeted information to customers and as such allow for more effective two-way communication.

- should your organisation consider e-mail marketing?
- is telemarketing and fax marketing appropriate?
- are bulky multiple mailings necessary?

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## Exhibitions and conferences

- does the company have the resources to develop in-house exhibitions, conferences and seminars?
- how can video conferencing and new forms of telecommunications technology be used to compliment conventional communications?
- can exhibition stand materials be made more sustainable and reusable?

## People

An integral part of business sustainability is to remember that 'people are the business' and they have to implement change. Any organisation that embarks on the process of making itself more sustainable is likely to face a difficult and turbulent time. It will mean that projects will need to be looked at in different ways, and inter-disciplinary skills will be needed.

Implementation of strategies and policies, will be more likely to succeed if employees are involved in decision-making, and are given a sense of 'strategy ownership'. Therefore to ensure that management and staff accept projects, internal marketing programmes should be carefully introduced and monitored. Initiatives should be clearly communicated to staff, who should be made aware of the issues through presentations, workshops, internet resources and newsletters, and encouraged to participate in environmental and social programmes.

It is important for companies to recognise that although their workforce might be quite happy to endorse such programmes, that the concept of sustainability and many of the issues that are central to it are not yet widely understood throughout society. This means that it is just as important to inform and educate the workforce about key environmental and social issues, as it is to communicate professionally about the company's response and the importance of supporting it. The process of tackling these issues on an ongoing basis should lead to them being interwoven into corporate strategy and culture, for example by introducing sustainability issues into recruitment and training programmes.

Sustainability strategies and plans can be treated conceptually as *products* with their own marketing mixes. Once the strategies have been communicated, organisations must encourage a change in attitudes and behaviour, as well as providing the necessary human and financial resources to effectively implement programmes. This is often the area where good intentions to improve corporate environmental and social performance can falter in the face of the entrenched corporate cultures and the conventional pressures of short-term targets for sales, profit and share price.

*A research project conducted by Arthur D. Little examined why a number of major companies who had developed a competitive advantage from good environmental performance, including Warner-Lambert, Apple and ABB, later seemed to run into problems with their greening strategies. The project concluded that once the easiest improvements in energy reduction and waste elimination had been completed, initiatives that required more significant changes struggled for acceptance with top management. The conservatism of corporate cultures was part of the problem, but also significant was the tendency of those responsible for environmental strategies to fail to link their work to business strategies and benefits, and to frame their strategies in terms that other managers could relate to.*

*Source: Robert Shelton, R (1994), 'Hitting the Green Wall: Why Corporate Programs Get Stalled', Corporate Environmental Strategy, 2 (2).*

Management must increasingly recognise the inter-relationship of 'people, profits and planet'. It is the companies that develop this approach that will attract and retain customers, investors and employees into the next millennium.

# Implications



“Access to information will become increasingly important and formal initiatives such as the Global Reporting Initiative will have a key role to play”

Developing more sustainable strategies that embrace environmental and CSR issues is a significant challenge. The key watchwords for a successful strategy are as follows:

#### **Holistic**

Although efforts to improve the environmental and social performance of a firm can be led by its marketers, top managers or environmental function, ultimately it needs to be a holistic response involving all of the company if it is going to succeed.

#### **Externally focused on stakeholders**

Companies that are able to prove themselves to be sensitive and responsible to environmental and CSR issues are more likely to be those that are going to be successful in an increasingly sensitive, globalised, fast moving and uncertain business world. Part of this change will be a trend towards demand by customers for products and services that are environmentally and socially less harmful throughout their life cycles. Making business more sustainable will present both opportunities and threats, but companies need to be attuned to the development of the sustainability agenda to spot and react to them.

#### **Internally value-driven**

Existing approaches will need to be adapted to encourage individuals to buy and invest in a more sustainable manner. But enlightened strategic decisions will only emerge from a deeper re-examination of corporate ethics, philosophies and policies. Although companies can pursue sustainability on the basis of the business benefits, research suggests that it is the companies who believe in both the ‘business case’ and the ‘values case’ that are the most successful in securing the benefits. Initiatives motivated by a search for good PR are a very risky strategy, vulnerable to internal whistle-blowing and criticism from the media and pressure groups.

#### **Beyond products**

Broader questions concerning the formulation of *products* and the processes used to produce *products* will increasingly be asked. Taking a pro-active stance on environmental responsibility and CSR will mean anticipating change and introducing it before it is made necessary. To develop more sustainable products and services, companies will need to invest a considerable amount of effort to change their supply networks and their in-house or contract manufacturing systems. Therefore, the results of some of today’s R&D are unlikely to be seen for several years. For example, for products to be designed to be recycled, rather than disposed of in landfill, there will need to be a considerable development in existing recycling infrastructure. In addition, developing products that are easier to dismantle will require the re-education of many product designers and engineers to think about the ‘end of life’.

# The future

## Partnership-based

Companies developing strategies of co-operation and collaboration will be those that are more likely to be successful - as *sustainable solutions* will require new forms of partnership. Partnerships may need to be formed with rivals to solve mutual environmental and social problems, with suppliers to reduce impacts, with customers to develop new ways to meet needs or to recycle materials, or with former critics to develop innovative solutions to long-standing problems.

## Open

One of the key themes of sustainability and CSR is accountability. Access to information will become increasingly important and formal initiatives such as the Global Reporting Initiative will have a key role to play.

## Social and environmental

Sustainability needs to be understood as an agenda that embraces social and economic as well as environmental issues. Improved understanding of social impacts of products and services alongside eco-efficiency will be the new agenda for *sustainable solutions* development.

## Future-orientated

Sustainability means thinking about future stakeholders, and the pressures that will flow from current stakeholders in future. The present younger generations are receiving considerably more environmental education and the 'baby boom' generations are starting to move into positions of influence. Younger people are becoming increasingly conscious of sustainability issues through internet, global news networks, and world travel. It will be this group within the next 10–20 years that will become key change-makers as consumers, employees and investors. Companies will need to recognise and adapt to changing values if they are to survive and sustain their development into the next millennium.

This booklet has been compiled to extend the debate over a set of emerging ideas that will become increasingly important. Responsibility for environmental and social impacts will become an increasing concern for people in relation to business, whether as an employer, employee, investor or customer. Business must develop a proactive response and grasp the opportunities that these developments present, or else competitive advantage will be lost. Marketing has a key role in the sustainable consumption and production debate. Marketers have been tremendously effective in promoting unsustainable consumption in the past, they now have the opportunity to make a real contribution to promoting more sustainable consumption and product development in the future.

Many aspects of sustainability will mean re-examining some of the traditional principles of management and marketing, leading us to new types of stakeholder relationships, clearer accountability and openness, and higher levels of innovation and co-operation. To survive and prosper companies and marketers will need to be able to identify sustainability waves, design and build a new type of surf board and then learn how to ride it!



# The authors



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Martin is the Director and Visiting Professor of Sustainable Product Design at The Centre for Sustainable Design at The Surrey Institute of Art & Design, University College. Since 1988, he has worked at director level in 'business and environment' issues in consultancy, leisure, publishing, training, events and research. Prior to this he held a range of management positions in strategy, research and marketing in gardening, construction, trade exhibitions, financial services and consultancy including being a founding Director of Greenleaf Publishing and Marketing Director at the Earth Centre.

Martin is the former coordinator of one the UK's first green business clubs for SMEs and presently also directs a regional network focused on 'producer responsibility' issues. He is presently editor of the *Journal of Sustainable Product Design* and was the previous editor of *The Green Management Letter* and *Greener Management International* (where he retains Editorial Board involvement). Other responsibilities include a member of the Judging Panel of Design Sense and ACCA's corporate environmental reporting awards, member of ISO and BSI groups on '*Integrating Environmental Aspects into Product Development*' (ISO14062) and member of international advisory board of CARE electronics network.

He is the author, editor and joint editor of various books and publications including *Greener Marketing* (1992 and 1999), *The Green Management Gurus* (e-book) (1996), *Managing Eco-design* (1997), *Sustainable Solutions* (2001) and *Sustainable Value* (2002). Martin has an MBA from Aston Business School in the UK, and has academic and business interests in sustainable product design, eco-product development, e-publishing and creativity and innovation.





### Ken Peattie

Ken is Director of the ESRC Research Centre for Business Relationships, Accountability, Sustainability and Society (BRASS) at Cardiff University, and he is also a Professor of Marketing and Strategy within Cardiff Business School. He has been actively involved in teaching and research relating to the integration of environmental issues into corporate and marketing strategies since the late 1980s. In 1992 he published *Green Marketing*, a basic handbook for students wanting to understand the implications for marketing of growing environmental concern. This was followed by *Environmental Marketing Management: Meeting The Green Challenge* in 1995. This was the first major teaching-orientated text on environmental marketing and was subsequently published in Swedish and Chinese. He has been involved in environmentally-related research projects in a number of sectors including chemicals, tourism and local government.

Ken has been involved in teaching sustainability issues to undergraduate and post-graduate students at Cardiff and a number of other business schools in the UK and beyond. His green marketing research work has appeared in a wide range of academic journals and has been included in several collected works including the Chartered Institute of Marketing's *The Marketing Book*. In 2000 he, together with co-authors Ashish Pujari and Gillian Wright, were awarded the 'Outstanding Paper Award' at the Public Policy and Marketing Conference in Washington DC, for their paper on green new product development; a version of which will be published during 2002 in the *Journal of Business Research*.



### Jacqueline Ottman

Jacqueline is an environmental marketing consultant who helps businesses and other organisations find new sources of competitive advantage by developing and marketing new products and services that are environmentally sustainable. This is 'eco-innovation' and many in the business world today believe it is the wave of the future. Her firm, J. Ottman Consulting, Inc. which she founded in 1989, counts among its clients IBM, Interface, Philips Electronics, 3M, and the United States Environmental Protection Agency's Energy Star® and Design for Environment Programs. With the help of an extensive databank of Eco-Innovators<sup>sm</sup> she guides corporate teams through her proprietary Getting to Zero<sup>sm</sup> Process for Eco-Innovation.

She has spoken at every major environmental industry conference and numerous corporate environmental forums in the USA, Europe, Asia and South America. She has appeared on the Wall Street Journal Report, CNBC and has been interviewed by Fortune, Business Week, the Wall Street Journal and the New York Times.

Her book, *Green Marketing: Opportunity for Innovation*, was named one of the top business books of 1993. Described by the American Marketing Association as the 'definitive work on the subject', it was released in a second edition and has been translated into five languages.

'Getting to Zero' and 'Eco-Innovators' are service marks of J. Ottman Consulting, Inc.



### Michael Jay Polonsky

Michael is the Melbourne Airport Chair in Marketing within the School of Tourism, Hospitality and Marketing at Victoria University in Melbourne. Prior to taking up this position he was an Associate Professor at the University of Newcastle and has also taught at Charles Sturt University (Australia), Massey University (New Zealand), the University of the Witwatersrand (South Africa) and Temple University (USA). He has a PhD from the Australian Catholic University, two masters degrees – Rutgers University and Temple University, as well as a BA from Towson State University.

At Victoria University he coordinates the Marketing Discipline within the School of Tourism, Hospitality and Marketing. He is active in a range of research units within the Faculty as well as serving on the Research Committee, Coursework Committee, and is acting Chair of the Faculty's Ethics Committee.

Michael's areas of research include environmental marketing/management, stakeholder theory, ethical and social issue in marketing, cross-cultural studies and marketing education. He has published extensively across these areas including: co-edited three books on environmental issues, one of which was recently translated into Chinese; authored or co-authored 11 book chapters; authored or co-authored 59 journal articles and presented more than 80 presentations at national and international conferences. These presentations include business-focused environmental presentations for SOCOG's Environmental Forum, Monterrey Technical University in Mexico and the University of Los Andes in Columbia. He has also served as a consultant to Australian Businesses and governmental bodies.

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Copies of 'Marketing and sustainability' can be ordered from BRASS for £7.50

For further information on the Sustainable Marketing Knowledge Network see: [www.cfsd.org.uk/smart-know-net](http://www.cfsd.org.uk/smart-know-net)

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