Responsible Marketing: Doing Well by Doing Good

CB Bhattacharya

Opening up the marketing horizon /// Traditionally, profit maximization has been the primary objective of marketing activities, which tend to be predominantly firm-centric. Very little or no attention is paid to the numerous social actors who have the potential to influence and be influenced by companies' actions. Nevertheless, recent pressing issues such as global warming, human rights violations and food security, among many others, which are in large part fueled by the consumption hype created by marketers have provoked a backlash from various stakeholders. These stakeholders, including activists, employees, regulators and investors, are now regularly pressuring companies to go beyond a focus on customers and adopt a broader and more inclusive approach in their marketing activities. In other words, companies and customers should no longer be the major beneficiary of marketing, and marketing as a discipline needs to take responsibility for its actions. To illustrate the tension between the current dominant paradigm of profit maximization at all costs and that of responsible marketing, let us hark back to the 19th century and the tragedy of the commons. The phenomenon of the tragedy of the commons was originally noted by William Forster Lloyd to illustrate a situation where individuals act in their own best interest without considering the total welfare of the group and as a result end up depleting a common resource. His specific example focused on the effects of unregulated grazing on common land. Maximizing private gain led to collective loss, and it still does in our times.

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Today, this dilemma is connected with sustainable development and used to demonstrate issues around economic slowdown in emerging economies, environmental protection and global warming. In the United Nation’s Bruntland Commission’s report in 1987, sustainable development was defined as “meeting the needs of the present without compromising the ability of future generations to meet their own needs.” According to the World Wildlife Fund (WWF), we are currently consuming resources worth 1.5 planets, and if we continue business as usual, this consumption level will rise to 3 planets by 2050. Given these facts, sustainability is a business imperative, and if businesses do not get this by themselves, stakeholder pressures will rise to untenable levels.

More value by sharing value: Using a triple bottom line

Figure 1 shows that business value and social or environmental values can go hand in hand. Simply put, companies can no longer afford to be on the top-left quadrant of Figure 1 where they had their glory days and maximized business value while depleting socio-environmental value. To have the license to operate, creating positive social and environmental value is a must in today’s day and age.

Moving to the right-hand side of Figure 1, some companies have ended up on the bottom-right because they failed to integrate their sustainability efforts into marketing and business strategy. They spend resources on ad-hoc social and environmental initiatives that don’t generate any corresponding business returns, and since such initiatives aren’t costless, they prove to be a drag on business value. This is possibly why sustainability initiatives are inherently perceived to be in competition with business objectives.

I believe that companies should focus on the top-right quadrant, which is what we call the “triple bottom line.” In this field companies not only create socio-environmental value by caring for people and our planet, but they also drive business value and profit through such initiatives. In such a company, sustainability initiatives are close to the core businesses; this leverages the company’s competencies and is in line with company values and principles. The business value created by such initiatives includes employee and customer loyalty, positive word of mouth, resilience to negative information about the company, and several other coveted business outcomes. In this sense, strategic engagement in sustainability
initiatives, commonly referred to as corporate social responsibility (CSR), can be a source of competitive differentiation and advantage.

**Sustainability: A new source for value**  
Our research suggests that value can come from two basic routes: direct and indirect. A company can, for example, streamline its operations and renovate its physical facilities to be more “green” and energy efficient. This can directly lead to cost savings, which is a direct source of business value. Similarly, since energy is a precious resource, conserving it leads to a positive societal outcome as well. However, there is another, more indirect route of value creation via stakeholder reactions. As a result of the sustainability initiative to be greener, this company’s employees and consumers may react positively by being more likely to purchase their products, seek employment, be engaged at work or talk to others about what a great company this is. This represents the indirect route. However, all stakeholders do not react in the same way, and so companies need to have a clearer understanding of when, how and why these reactions can create value for the firm. While the direct route falls more under the purview of operations and includes dealing with issues like carbon footprinting, water footprinting, etc., the indirect route of stakeholder reactions is clearly in marketing’s corner. To better understand stakeholder reactions, along with my coauthors Daniel Korschun and Sankar Sen, I have studied thousands of stakeholders in multiple companies to shed light on the conditions under which “it pays to be good.”

**Figure 2:** How sustainability initiatives create value

- **Direct Route:** CSR Input → Business Outcomes → Societal Outcomes → CSR Value (economic, social, environmental)
- **Indirect Route:** CSR Input → Stakeholder Reactions → Societal Outcomes → CSR Value (economic, social, environmental)

*Source: Bhattacharya et al., 2011*
This research identifies three interdependent psychological levers that drive stakeholder reactions to corporate responsibility: understanding, usefulness, unity (see Figure 3).

> The first lever is a stakeholder’s understanding of a company’s sustainability initiatives. It begins with awareness: Most customers and even many employees are not aware of a company’s actions in the sustainability arena. If stakeholders are not aware, there is no way they can reward the company. Next, stakeholders often question the company’s motivations for engaging in sustainability: Is the company seriously trying to help the community, or is it just about profit? Notably, stakeholders are remarkably supportive of profit motives as long as the company shows a genuine interest in and makes a difference for the social cause as well.

> The second lever underlying stakeholder reaction to corporate responsibility is usefulness, or the degree to which a sustainability initiative provides benefit to the stakeholder. The needs sustainability fulfills and the concomitant benefits it provides can either be functional (e.g., energy savings from more efficient appliances) or psychosocial (e.g., better integration of work and personal life from working for a socially responsible company).

> Understanding and usefulness work together to create a sense of unity, the third lever in the described framework, which is best described as a sense of belonging to the company or a connection between the stakeholder and the company. We provide plenty of evidence showing that when these levers work harmoniously, they produce the greatest value for both the company and society, maximizing the triple bottom line of people, planet and profit.

Our article from Shuili Du and Sankar Sen (pp. 18) shows how understanding, usefulness and unity help a company improve consumer well-being while simultaneously attaining strategic goals. The authors investigate a CSR program in the USA dealing with oral hygiene among Hispanic immigrants. The brand in question attempted to gain market share against the dominant player in this growing Hispanic segment and by the help of the initiative managed to gain some ground ... indeed a great example of the upper-right quadrant in Figure 1.
Embedding sustainability: Mastering stumbling blocks on the way

One may ask at this point that despite all this research on sustainability and corporate responsibility, why aren’t more companies able to bring the triple bottom line to life and drive business value via socio-environmental initiatives? Why aren’t more stakeholders rewarding companies for their sustainability initiatives? How can companies embed sustainability in their folds such that every decision made by employees is viewed through a sustainability lens? These are some of the questions I have been researching lately. In this regard, I have been studying companies like Allianz, BASF, IBM, Nestle, Unilever and many more to uncover the key success factors for embedding and mainstreaming sustainability. Needless to say, getting your employees aboard the sustainability journey is a necessary first step to implementing responsible marketing strategies that will have societal impact. So internal marketing is the order of the day.

Another thing I have learned from my research is that it is hard to change mindsets and this is a marketing challenge as well. Moving from the upper-left quadrant and even the lower-right quadrant to the upper-right of Figure 1 takes time: The profit maximization motive and short-termism are well entrenched.

Digging deeper, I also learned that a key reason for this is that most businesses have been unable to articulate a higher purpose for their existence and “bring it to life” by driving it through the organization so that it touches their employees and other stakeholders. There is a “purpose gap” between what employees yearn for and what the organization asks them to do. In other words, we need to understand how to bridge this purpose gap. A key insight is that in most companies, employees use a rational cost-benefit calculus to decide how to act and please their superiors. All too often, in the dominant paradigm of profit maximization, this is counter to the values by which they conduct other aspects of their life. The neat thing about the sustainability movement is that the right strategy enables employees to align the rational cost-benefit balance with their personal values and hence resolve this tension.
In the article with my co-authors Daniel Korschun and Scott D. Swain (pp. 24), we have a closer look on such internal effects of CSR. We argue that when employees better identify with their companies through sustainability initiatives, they also form a psychological bond with their employer. This results in a more motivated workforce. In a model we investigate the ways in which CSR works to improve the job performance of frontline employees. This is again clear evidence that the triple bottom line in figure 1 can be brought to life.

Another critical factor are consumers' reactions to CSR. It cannot be taken for granted that consumers will embrace each and every form of social or environmental initiative with open arms. Companies might be challenged to communicate their actions cautiously to gain support from consumers. George E. Newman and his co-authors (pp. 42) shows us that there is potential “dark side” to CSR initiatives and warn us to be cautious in communicating the benefits of green products. Intended environmental improvements performed by a company might lead to customers suspecting lower product quality. In order to circumvent these negative effects of customer perceptions, the authors provide valuable insight into feasible communication strategies that would create business value.

Our GfK-research article by Ronald Frank and his co-authors (pp. 52) deals with consumers’ reluctance to buy fair trade or ecological clothing. A recent German survey reveals a gap between what consumers think and what they actually do in respect to their buying decisions for clothes. Based on the results of the study and a behavioral economic game investigating altruistic behavior, they suggest several ways to market ecological and fair trade clothing more successfully and to encourage consumers to act more in line with their stated values.
The Unilever Sustainable Living Plan (USLP) was introduced five years ago and is a blueprint for growth of the company, but growth that is sustainable. The plan has three main goals:

> improving health and well-being for more than one billion by 2020
> reducing environmental impact by half by 2020
> enhancing livelihoods for millions by 2020

Unilever articulated their purpose in plain English, “to make sustainable living commonplace,” which is easy to understand and communicate. The company’s approach to sustainability is systematic and holistic. It is embedded in brands and categories, within R&D, within its reward and measurement systems, and through an integrated governance system. Through cross-functional communication, training and development, accountability, and a host of other measures, sustainability has been embedded to a great extent. Managers across all functions and within its categories (Foods, Refreshment, Personal Care, and Home Care) work up, down and across the organization. They are looking at their own operations as well as those of their suppliers and distributors, all the way to the end consumer, through a “sustainability lens.” In turn, sustainability has stopped being “someone’s job” and has become everyone’s job in all countries, all brands and all divisions.

Another way in which purpose comes to life at Unilever is via its brands, which are the main conduit with its stakeholders. The company is working hard to imbue all its brands with a purpose. While marketers are no doubt familiar with brand positioning statements, Unilever now has “brand purpose statements.” Take Domestos for example. Domestos is a toilet cleaner whose social mission is to improve health and well-being by attacking the issues of open defecation and providing access to toilets to the large segment that needs such access. Unilever has committed to helping 25 million people gain access to toilets by 2020, and they have also founded the Toilet Board Coalition for this purpose. Needless to say, more toilets potentially mean more Domestos sales, but that doesn’t detract from the social benefit of providing better sanitation, reduced incidence of disease and the human dignity that goes with being able to use a toilet. Along with other purpose brands (such as Dove, Pureit, Lifebuoy, Knorr and others), Domestos is one of the fastest-growing Unilever brands.

For Unilever, the business case for integrating sustainability into the company’s business model is also clear and persuasive: Unilever’s Sustainable Living Plan has the ability to provide the company with a strategic advantage and to set it apart from its competitors. Its stock price has nearly doubled (from $22 to $42) in the last six years (since USLP was launched). In 2012, more than 55% of Unilever’s revenues were generated from developing markets in Asia, Africa, Central and Eastern Europe, and Latin America.

In addition, their achievements in the sustainability area are widely recognized. For instance, Unilever has been named a leader of the Food, Beverage and Tobacco Industry Group in 2015 by Dow Jones Sustainability Index (DJSI). Furthermore, Unilever enjoys the benefits of a good reputation; it is now the third most looked-up company after Google and Apple on LinkedIn. Finally, the Global People Survey, which is done every year among all Unilever employees, shows that 80% of employees fully support USLP, and many claim that it is the reason why they are working at Unilever in the first place. Employees truly appreciate the opportunity to make a contribution for the greater good.
Embedding sustainability: Learning from the pioneers

While many companies are still either ignoring their societal responsibility or experimenting with ways of dealing with it, others have impressive accounts of success for their business and for society. One of the companies that has made quite some progress in this area and with whom I have had the privilege of working closely is Unilever. When Paul Polman was appointed CEO in 2009, he immediately set out to transform Unilever into an enterprise that would continue to grow and prosper but also one that would be driven by purpose and tackle the complex global issues of the 21st century. Box 1 describes the Unilever approach and its effects in detail. But this issue contains many more CSR success stories. The article by Craig Smith (pp. 30) focuses on the important question of how large pharmaceutical corporations can achieve growth by creating shared value. Due to public concern, we have seen that many pharmaceutical companies have been throwing money at charities, acting in the lower-right quadrant of figure 1. Smith tackles the question how pharmaceutical companies can create value both for themselves and society at large and shows how some pharmaceutical companies have moved to the upper-right quadrant by introducing insightful best practice examples.

Finally, in our interview I talked to Carlo Vassallo, CEO of Ferrero Germany, in yet another industry (pp. 46). He explains the Ferrero way of sourcing cocoa, nuts and palm oil for their confectionary business in a responsible way. Being the single largest buyer of fair-trade cocoa in Germany already, they have even more ambitious CSR goals for the upcoming years. Carlo Vassallo explains how they cooperate with internal and external stakeholders to generate direct and indirect value (Figure 2) for people, our planet and the Ferrero company, clearly serving as another best-practice case within the chocolate industry.

All these cases show that it is possible to market sustainability both internally and externally and to transform organizations for the better. I hope that some of these lessons learned will be useful to many other companies that want – or need – to go down this path.
FURTHER READING

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Keys to successful CSR /// So, what does it take to succeed in the sustainability journey? While there are several factors, four essential ones need to be named, which we call the 4 Cs. First and foremost, commitment is the first necessary step: Leadership has to express dedication to the cause and should be able to communicate the message across the organization. This message should resonate with the workforce, and the sustainability initiative should motivate employees and increase their level of identification with the company.

Furthermore, top management should have the capabilities to engage and involve internal and external stakeholders systematically. Co-creation activities will help stakeholders feel good about the company and they will be less susceptible to negative information and will develop feelings of loyalty. To achieve this objective, utilizing communication tools is essential. To demonstrate transparency, authenticity and credibility, companies need to inform stakeholders about the rationale and specifics of their motives. Last but not least, companies should be able to calibrate or evaluate their impact. Much like other aspects of marketing strategy, there is a need to monitor and measure sustainability efforts. Companies need to identify relevant key performance indicators (KPIs) and should come up with ways in which they can measure these KPIs accurately and effectively. Only then it is possible to improve continuously and begin on the never-ending journey of sustainability.