

Corporate Sustainability and Marketing

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A recent Huizenga blog on Corporate Sustainability by Dr. Michael Hoffman pointed out that the former head of global marketing at Coca Cola is now the Chief Sustainability Officer. That should come as no surprise given the growing importance of sustainability in brand marketing.

First, let us look at some definitions, because the word "sustainability" is often used interchangeably with other descriptors. According to a 2013 study by KPMG, the accounting firm, the most commonly used terms globally are 'corporate responsibility' (14 percent) or 'corporate social responsibility-- CSR' (25 percent) and 'sustainability' report (43 percent). The Global Reporting Initiative (GRI), the organization that sets sustainability reporting standards, identifies three broad areas under the sustainability definition: environmental, social, and economic.

Marketers have an important interest in all three areas. For example:

- Hershey's reduced the amount of paper wrap in their mini chocolates saving over 270,000 pounds of paper, the equivalent of 11 tractor trailers of paper that would have wound up in a landfill, and of course, saving the brand money. The company saved over 14 million pounds of packaging material in the last five years.
- Procter and Gamble donates one dose of maternal and neonatal tetanus vaccine with the purchase of each package of Pampers. Since 2006, over 100 million women and babies have been protected, saving countless lives.
- UPS supported relief efforts for hurricane Sandy with \$1.5 million in cash and in-kind support to aid in the recovery efforts, a \$250,000 grant to the American Red Cross, \$250,000 in logistical aid for urgent response, and an additional \$1 million in cash and in-kind support to a variety of relief organizations.

Why do companies do this? Research shows numerous corporate and brand benefits. Studies among corporate executives by McKinsey & Company consulting in 2008 and the Boston Consulting Group/MIT in 2012 indicate Corporate Social Responsibility (CSR) has a direct, positive impact on shareholder value and profitability. Seventy-nine percent of chief financial officers state that these programs improve firm performance by maintaining corporate reputation and brand equity.

Consumers express a preference for brands supporting CSR. A recent U.S. study with 1,000 consumers done for the advertising agency Burson Martsteller and design firm Landor showed 55% of respondents favor purchasing a product with added social benefit over one without those benefits. The study also revealed 70% of consumers are willing to pay a premium for a product costing \$100 from a socially responsible company, with 28% willing to pay at least \$10 more.

A 2014 Nielsen market research study in 60 countries with over 30,000 respondents showed similar results. Fifty-five percent of

consumers would pay more for products and services from companies committed to positive social and environmental impact, 52% made at least one purchase from one or more socially responsible companies and 52% check product packages to ensure sustainable impact. All of these metrics show dramatic increases over a previous study done by Nielsen in 2010.

Marketers see distinct benefits from CSR.

- **Innovation** - Seven in 10 surveyed executives report that CSR brings opportunities for the innovation of new products and services. One third also report opportunities to grow their market share. Examples include Unilever's hair conditioner that uses less water and Boeing's energy efficient new planes.
- **Cost savings** -Reduction in material waste, transportation, packaging materials, energy use. P&G's one-year reduction in waste disposal through recycling saves enough money to purchase 400 prime time television spots.
- **Brand differentiation**-environmental friendly packaging and products, social programs, brand citizenship. Toyota has differentiated its cars with fuel-efficient hybrid models across its product lines as well as reducing carbon emissions throughout its manufacturing processes.
- **Long-term thinking** - focus on longer-term horizon, 5 years out rather than just next quarter. UPS is committed to a long-term plan to transition to the development of alternative biofuels for its trucks to reduce costs and pollution.
- **Customer engagement** - helps companies and brands engage with customers about something good, puts customer at center. Brands such as Pedigree dog food with its adopt a dog campaign , Yoplait yogurt asking consumers to send in specially marked pink lids for donations to breast cancer, and Warby-Parker donating eye glasses for every pair purchased by consumers, have added to sales, brand loyalty, and brand equity through their "do good" programs.

So, it is not surprising Coca Cola placed a marketing executive in charge of sustainability.

Does your company embrace sustainability in its marketing and brand practices? In what ways?

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