Industrial Marketing Management 39 (2010) 330–341

Contents lists available at ScienceDirect

Industrial Marketing Management

Sustainability and business-to-business marketing: A framework and implications

Arun Sharma [a,*], Gopalkrishnan R. Iyer [b,1], Anuj Mehrotra [c,2], R. Krishnan [a,3]

[a] Department of Marketing, PO Box 248147, University of Miami, Coral Gables, FL 33124, United States
[b] Center for Services Marketing, Barry Kaye College of Business, Florida Atlantic University, 777 Glades Road, Boca Raton, FL 33431, United States
[c] University of Miami, Coral Gables, FL 33124-6524, United States

ARTICLE INFO

Article history:
Received 21 September 2006
Received in revised form 14 April 2008
Accepted 4 November 2008
Available online 6 January 2009

Keywords:
Sustainability
Green marketing
Recycling
Build-to-order
Repair
Reverse logistics

ABSTRACT

Researchers in several business disciplines have convincingly argued that environmentally responsible strategies can contribute to competitive advantage and superior financial performance. While debates on ecological conservation and environmental practices within marketing have raged for over three decades, much of the focus has been on identifying and targeting the environmentally-conscious consumer. Less attention has been given to marketing's role in a green supply chain and its interface with environmentally-friendly manufacturing and operations. We integrate disparate streams of research and develop a broader framework to understand the appropriate role and focus of business-to-business marketing in the supply chain for achieving environmental sustainability objectives. We identify three major strategies – the reduction of surplus supply of products, reduction of reverse supply, and internal marketing – where marketing's role in environmental sustainability is crucial for achieving superior competitive advantage and financial performance.

1. Introduction

The idea of a sustainable link between business and environment, initially proposed about two decades ago, revolves around the central thesis that the goals of environmental conservation and the goals of business need not be disparate and conflicting (Barbier, 1987; Hawken, Lovins, & Lovins, 1999; Holliday, Schmidheiny, & Watts, 2002; World Commission on Environment and Development, 1987). Proponents of environmental sustainability have now taken this thesis one step further with the argument that environmentally-conscious and ecologically-friendly strategies could, in fact, lead to competitive advantages and superior financial performance (Engardio, 2007; Esty & Winston, 2006; Hart, 2005). While earlier views were dominated by notions that environmental objectives were a constraint to the economic goals of a business or that the economic objectives of a business were a direct threat to environmental conservation, the recent approach treats both economics and ecology as two sides of the same coin. It has been argued by Hart (2005) that when properly focused, the profit motive of business can accelerate the transformation toward global sustainability, with nonprofits, governments, and multilateral agencies, all playing crucial roles as collaborators. Savitz and Weber (2006) suggest that a sustainable corporation is one that creates profit for its shareholders while protecting the environment and improving the lives of those with whom it interacts. Recently, Lash and Wellington (2007) suggest that firms will be at a competitive disadvantage if they do not pay attention to sustainability issues.

Marketing has been long concerned with understanding environmentally-conscious consumers and devising appropriate strategies to target such consumers (Antil, 1984; Ellen, Wiener, & Cobb-Walgren, 1991, Kinnear, Taylor, & Ahmed, 1974). In both marketing as well as management strategy, it has been argued that managerial decision making must incorporate environmental issues, including ideas on resource conservation and environmental sustainability (Drumwright, 1994; Hart, 1995; Shrivastava, 1995a). Incorporating consumers' and managerial concerns on the natural and physical environment contributes not only to superior business performance, especially in terms of competitive advantage, but also to enhanced corporate reputation (Menon & Menon, 1997; Shrivastava, 1995b; Sisodia, Wolfe, & Sheth, 2007).

While the importance of environmental sustainability for business performance and competitive advantage are now better accepted, research on appropriate strategies to implement environmentally sustainable corporate programs are still in their infancy within business-to-business marketing. There has been considerable interest in the issue of environmental sustainability in business practices, but discussions so far have been confined to disciplinary silos of management, marketing, and production and operations management. For example, while environmentally-conscious product design has been a focus of attention within production and operations management, marketing's role in managing demand for such products has rarely been taken into account.

While research within marketing has focused on the competitive benefits of green marketing, there has been less attention given to

* Corresponding author. Tel.: +1 305 284 1770.
E-mail addresses: asharma@exchange.sba.miami.edu (A. Sharma), giyer@fau.edu (G.R. Iyer), anuj@miami.edu (A. Mehrotra), krishnan@miami.edu (R. Krishnan).
[1] Tel.: +1 561 297 0917.
[2] Tel.: +1 305 284 1973.
[3] Tel.: +1 305 284 9203.

0019-8501/$ – see front matter
doi:10.1016/j.indmarman.2008.11.005

the examination of the marketing–manufacturing interface and the impacts of a green supply chain (Ottman & Terry, 1998). The demand-focused outlook of marketing, with its knowledge of buyer behaviors, both in consumer and industrial markets, finds complements in the environmentally-conscious policies of firms. Environmental concerns call for an approach that focuses both on supply management and demand management in the context of the entire value chain. Environmentally-conscious supply management would enable better waste management and inventory control through lean manufacturing, reuse, remanufacture, and recycling, as well as a focus on product design for disassembly. On the other hand, environmentally-conscious demand management would require strategies that would reduce reverse supply, including better product design, precision in demand forecasting, and customized development and delivery.

We focus on the domain of business-to-business marketing and develop a framework that highlights the role of marketing in environmentally sustainable supply chain strategies. In developing this framework, we integrate prior research from several business disciplines, highlight ignored areas of study and provide justifications for additional theoretical and empirical research in this area. In addition, we develop propositions that will hopefully guide future research.

The paper begins with a review of the extant literature. This is followed by the development and explanation of the sustainable market framework. Specific characteristics of three possible strategies – build-to-order manufacturing, recycling, and remanufacturing – are then discussed. This is followed by a discussion of the role of internal and external marketing in the successful implementation of sustainable market policies. Several propositions are derived from the discussion. The final section discusses managerial implications and directions for future research.

2. Literature review

2.1. Environmental sustainability

The World Commission on Environment and Development Report (1987), also known as the Brundtland Report, defined *sustainable development* as development that "meets the needs of the present generation without compromising the ability of future generations to meet their own needs." More recently Savitz and Weber (2006) suggest that business interests and the interests of the environment and society intersect in every firm's operations. They term the overlap between corporate goals of increasing market share and profits and the environmental goals of addressing climate change and public health as the "sustainability sweet spot." The starting point for environmental sustainability is surprisingly simple: if everyone recognizes that eco-systems and natural resources are limited, economic decisions can be so oriented that the end products of economic actions are environmentally sustainable as well.

The relationship between commerce and ecological concerns became less adversarial with the prescient view of environmental sustainability; in other words, the idea that environmental priorities make sound business sense as well (Costanza, Daly, & Bartholomew, 1991; Gladwin, Kennelly, & Kraus, 1995; Hawken, 1993; Schmidheiny, 1992; World Commission on Environment and Development, 1987). Many approaches emerged from this basic precept of sustainability (Goodland, Daly, El Seafy, & von Droste, 1991; Shiva, 1989; World Commission on Environment and Development, 1987; Eckersley, 1992; Gladwin et al., 1995; Hawken et al., 1999; Iyer, 1999; Shrivastava, 1995a). One of the popular approaches focused on business fundamentals and is practical in its argument that environmental sustainability could contribute to economic profitability as well as to competitive advantages (Porter and van der Linde, 1995; Schmidheiny, 1992; Wald, 2006; Lash & Wellington, 2007). But, the issue remained unresolved as to who should take the lead in the drive towards sustainability, with some suggesting that unless the consumer is more involved in environmental conservation, there will be less incentives for transformation (Iyer, 1999). However, recently Hart (2005) has convincingly argued that environmental sustainability fits well within the profit motive of business. And, since it leads to superior financial performance, environmental sustainability may best be guided by businesses.

Within marketing, there are two streams of research that could be used to support the link between sustainability and superior financial performance. First, resource-based theory suggests that better access and utilization of resources will lead to competitive advantage and therefore better performance in terms of profitability (Hunt & Morgan, 1995). Second, empirical evidence suggests that ecologically-conscious policies lead to better customer retention which again leads to better performance (Sisodia et al., 2007). The means to achieve such environmental sustainability is through the maximization of value-addition with the least use of resources, least amount of waste, and least pollution (Schmidheiny, 1992; Lovins, Lovins, & Hawken, 1999).

The latter approach, with its sights focused clearly on profits and competition as well as on environmental sustainability, has had the greatest appeal for scholars within various business disciplines. The contribution of marketing, reviewed briefly below, has been on the impacts of boundary-spanning activities and environmentally sustainable strategies (Sinding, 2001).

2.2. Marketing and environmental sustainability

Early research agenda within marketing focused on the end-customers' ecological consciousness or, in other words, the problems and issues of understanding the "green customer" and marketing effectively to such customers (Antil, 1984; Ellen et al., 1991; Kinnear et al., 1974). It was argued that consumer power would lead businesses to focus more on the environment since customers have the power to endorse (vote favorably) or reject (boycott) firms or criticize them for failing to maintain a balance with the environment. Firms such as BMW, Honda, IDEO, Patagonia, and Timberland follow these practices in part due to end-consumer demand (Sisodia et al., 2007). Since increasing numbers of business customers as well seek environmentally responsible products and favor environmentally conscious business behaviors, recent approaches suggest that such customers cannot be overlooked (c.f., Sisodia et al., 2007).

Large business customers can be more credible in emphasizing environmentally-friendly policies in their transactions with other firms (Drumwright, 1994). Business customer buying power is more effective in placing pressures on organizations to be environmentally-conscious and market only environmentally-friendly products. Such a focus on environmental consciousness manifests itself within the organization, especially in purchasing. For example, it has been argued that several firms favor ecological purchasing strategies and include non-economic criteria in their buying decisions (Drumwright, 1994). Office supply retailer Staples offers more than 2800 stock-keeping units (SKUs) that contain at least some post-consumer recycled content and is developing additional private-label eco-friendly products (Wilson, 2006). Thus, a large retailer can exert its power and influence the supply chain to become more eco-friendly.

There is now a growing recognition that environmentally-friendly product strategies gain better customer endorsements and therefore, contribute to long-term profits. Companies with clear environmental positioning in the market, such as Ben & Jerry, Body Shop, and Patagonia, are often cited as successful societal marketing examples (Kotler, 2003). Since these firms enjoy an ecological reputation, they seek business suppliers that also are ecologically-conscious. Thus, environmentally-responsible actions not only target an otherwise ignored subset of environmentally-conscious customers, but also by building a green supply chain, they also enable the firm to develop distinct advantages over their competitors (Winsemius & Guntram, 1992).