

# **Sustainable Marketing in the Emerging Markets with Specific**

## **Reference to Indian Companies**

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### **Abstract**

In the 21st century, climate change and rapid depletion of natural resources and biodiversity to equality, inequities between the haves and have-nots are some of the challenges humanity must come to grips with. Instead of seeing this as a problem, companies across the developed and developing countries have to transform these needs into opportunities by implementing sustainable marketing programs. Sustainability, in addition to protecting the planet and its people from environmental disasters, can drive cost savings through efficiencies, creating new markets and securing competitive advantage. Firms must abandon the traditional marketing practices that ignore social and environmental effects of their products and adopt new marketing paradigms that will contribute to sustainable development. This is all the more important when firms deal with consumers in developing economies who are not as savvy as their counterparts in the developed world. Fortunately, many companies in the emerging economies such as India are leading the way in sustainable marketing by recognizing the limits of the planet and the needs of the people better and making our planet a better place to live. This article attempts to capture some of these initiatives in India, which may provide ideas for other companies in both developing and developed markets looking to tackle some of the most vexing social and environmental problem using innovative solutions.

## **Introduction**

‘The business of business is business’ was the oft quoted reason why business managers in the past used to steer away from discussions on sustainability. <sup>1</sup>This argument is not tenable anymore since climate change, threat to biodiversity and rapid depletion of natural resources are inescapable facts that we all need to contend with in the near future and sustainable development is the only way to protect our planet and our communities from extinction. Sustainable development is concerned with how business can contribute to some of the most critical challenges that we face today: from climate change and rapid depletion of natural resources and biodiversity to equality, working conditions and health among the most deprived people in the world. According to Report of Bruntland Commission (1987), “Sustainable development is development that meets the need of the present without compromising the ability of the future generations to meet their own needs.” This definition implies that companies should focus on limiting the consumption of the present generation commensurate with the environment’s ability to meet present and future needs, which at first glance appears to contradict the basic tenet of marketing which is to induce consumers to consume more and acquire a greater share of the market. In other words, mainstream marketing philosophy which ignores social and environmental effects of the products being marketed has to give way to a new marketing paradigm that will contribute to sustainable development.

Fortunately, there seems to be a growing interest in “sustainable marketing” which has been defined by Fuller (1999) as “The process of planning, implementing and controlling the development, pricing, promotion and distribution of products in a manner that satisfies

the following three criteria: (1) customer needs are met (2) organizational goals are attained, and (3) the process is compatible with ecosystems". The ultimate goal of 'Green Marketing' or 'Sustainable Marketing' is to systematically include sustainability within a company's strategy throughout the supply chain from new product and service development to consumption. Pioneering companies such as Starbucks have realized that sustainable marketing can be a shrewd move and operating in an environmental friendly way can be cost-effective as well. For instance, it offers its customers a discount on their latte for bringing their own mug instead of using a paper cup. The company estimates that if just 50 customers a day in every store were to use reusable mugs, Starbucks would save 150,000 disposable paper cups daily. This would translate to 1.7 million pounds of paper, 3.7 million pounds of solid waste, and 150,000 trees a year.

### **Reasons for Rise and Decline of Sustainable Marketing**

Great deal of interest in sustainable marketing was generated during the 1980s and was subject of several academic articles during that period. Some authors even spoke of a dramatic shift in the consumption towards green products (Prothero, 1990; Vandermerwe and Oliff, 1990). Iyer and Benerjee (1993) even pronounced that "green is in, no questions about it" and Menon and Menon (1997) commented that "green marketing appears to be real and growing" and even "expanding at a remarkable rate" (Schelegelmilch et al., 1996). However, by late 1990s, sustainable marketing lost its momentum and except in some sectors such as food, tourism, and financial services,

growth in sustainable product introductions declined across majority of sectors thus heralding the decline of sustainable marketing and revival of mainstream marketing.

Peattie and Crane (2005) explaining the rise and fall of sustainable marketing cite adoption of green spinning, green selling, green harvesting and compliance marketing approaches for decline in sustainable marketing in the late 1990s. In green spinning approach, the focus of many companies is to use public relations to allay public concerns and co-opt interest groups and regulatory agencies rather than genuinely addressing the concerns by involving and consulting different stakeholders in product development. Green selling approach reflected a typical sales orientation with interest in sustainable products confined to promotional activities with little or no effort expended at the product development stage to create environment-friendly products. Some firms used green harvesting which seeks to position sustainable products as premium products thus hampering their market penetration. Compliance marketing approach to green marketing was another reason which hampered the growth of sustainable marketing. In following this approach, firms merely responded to regulation by complying with mandatory laws rather than appealing to the environmental concerns of increasingly knowledgeable and environmentally savvy customers.

### **Critical Role of Marketing in Sustainable Development**

The Chartered Institute of Marketing (2006) found that though that while marketing teams lead on campaigns and communications, they don't play a strategic role in sustainable development initiatives in their companies suggesting that they play a

secondary role in driving sustainability agendas within their companies. Despite this, many management thinkers think that there is a great opportunity for marketers to contribute to the 'Triple Bottom Line' by influencing consumers with green values through their own practices of sustainable marketing. Marketers have a ring-side view of the market and the customers and hence they are in a strategic position to gain valuable customer insights and pass them on to other people within the company. Moreover, they play a critical role in processing, packaging and distribution of products which contribute to sustainable or 'green' products. Unfortunately, marketers in many cases could not convert these opportunities into commercial propositions to create competitive advantage for their companies. On the other hand, they were blamed for pushing the consumption of unsustainable products and lifestyles. While it is true that marketing professionals are pilloried for encouraging people to purchase products that they do not need, they can as influencers, communicators and shapers of culture make a significant difference to their customers and the 'triple bottom line'.

### **Sustainable Marketing in Practice**

Many marketers contend that integrating sustainability values in all their business operations can contribute to market growth. Therefore, to start with, firms can use sustainable marketing to differentiate their products based on social and environmental impacts. For example, Wal-Mart introduced a new program where they work with suppliers of seven of their most common items including: DVDs, toothpaste, beer, milk, soap, vacuum cleaners, soda, and soap in order to "measure and reduce the amount of

energy used in making and distributing them.” This strategy will be more effective particularly in the business-to-business segment since corporate customers would be more interested in the social and environmental impacts than individual customers. For instance, functionality of products which includes aspects of sustainability such as reducing the customer’s waste so that it can improve their operations or help them deal with or eliminate regulatory issues will be highly valued by corporate customers. Even in consumer markets, where consumers are not readily switching to sustainable products, firms will have to make the effort to change the current pattern of consumption. In many instances, marketers will be in ideal positions to bring about this change in the consumers.

### **Sustainable Marketing in Emerging Markets with Specific Reference to India**

For sustainable marketing to succeed, firms need to act consistently accordingly to their values and not just during a particular instance in order to be trusted by customers. Therefore, it is important for firms to act ethically and responsible towards its stakeholders in the long-run to build their credibility. Marketers play a vital role in this exercise by creating inspiring communication and building trust. This is all the more important when firms deal with consumers in developing economies who are not as savvy as their counterparts in the developed world. Firms will have to resist the temptation to exploit gullible customers in emerging and developing markets by marketing unsustainable products and instead focus on providing products and services which address local social and environmental issues. Apart from this, firms should also

consider the implications of introducing lifestyles that are in vogue in developed countries. As Worldwatch Institute rightly observes in its State of the World Report : “If the levels of consumption that...the most affluent people enjoy today were replicated across even half of the roughly 9 billion people projected to be on the planet in 2050, the impact on our water supply, air quality, forests, climate, biological diversity, and human health would be severe.”

Sustainable marketing in developing or emerging economies can follow several approaches. In one approach, firms can identify and seize immediate market opportunities in emerging markets by adopting innovative packaging and distribution which makes their products affordable without altering the fundamental value that the brand provides. In other cases, firms can take a long-term view of the market opportunities by creating secure livelihoods through capacity building of its potential customers. This will ensure development of more robust, enduring and reliable markets. Holcim Apasco of Mexico is a fine example of this approach to sustainable marketing in emerging markets. It helps people self-build concrete homes to an acceptable standard and improves the availability of affordable construction materials through its Mi Casa distribution centres. In these centres, professional builders, trained by the Mi Casa programme, dispense advice on proper building techniques to would-be builders. At the same time, Mi Casa supplies cement on a bag-by-bag basis at reasonable prices, and offers counseling on legal aspects and financing opportunities. Holcim believes its growth opportunity for the group lies in entering emerging and developing markets where the demand for cement is increasing. As a bag-by-bag customer base characterizes many

of these markets, the company needs to understand the most cost-effective ways to make its products and services relevant and affordable to the communities it aims to serve (World Business Council for Sustainable Development, 2005).

In India, many progressive companies have realized that poverty and resources constraints are two major challenges that they need to contend with and instead of visualizing them as problems they have transformed them to opportunities using innovative solutions. Since both developing and developed countries are likely to face the same problems in the near future that India faces today such as scarcity of resources and environmental degradation, the solutions that are being used in a sustainable way by Indian companies are worth emulating. In the 21<sup>st</sup> Century, it is not enough to for companies focus on low-hanging fruits such as switching to energy-saving devices, buying recycled office supplies and providing support through philanthropy. Instead, they have to focus on the limits of the planet and the needs of the people to even a larger extent than is being done at present as the basis for their business strategies to remain relevant in the future. Some of the Indian companies adopting sustainable marketing practices cited in this section were selected after scanning business and sustainability press, published action and academic research and relevant industry reports. Information was also gathered from practitioners and consultants. These cases have been selected to illustrate that firms can reap business value while practicing sustainable practices, if they are able to identify opportunities in an environment fraught with risks and challenges. They also provide ideas for other companies in both developing and developed markets



looking to tackle some of the most vexing social and environmental problem using innovative solutions.

BASIX ([www.basixindia.com](http://www.basixindia.com)) started in 1996 is engaged in promoting livelihood and works with over a million and a half customers comprising mainly rural poor households in 100 districts spread across various Indian States. It acts as an intermediary between investors unfamiliar with rural development and rural entrepreneurs in poor areas to help them acquire tangible assts, raise incomes, protect the environment and maintain community values. Realizing that poor, rural Indian households have no insurance and their meager incomes are exposed to natural and human risks, BASIX established partnerships with mainstream insurance companies such as AVIVA Life Insurance Company, ICICI Lombard General Insurance Company to develop innovative insurance products to serve this segment. Insurance on livestock holdings, against rainfall problems and against loss of income due to poor health are some of the innovative products that the company delivers to rural poor through its micro-credit outreach system. The company is able to deliver these products while incurring low transaction and operating costs which the mainstream insurance companies are not able to achieve on their own. BASIX along with AXIS Bank and technology provider introduced another innovation which leveraged on information technology for financial inclusion of the poor by enrolling customers for no-frills savings bank accounts. In the first four months of the pilot, the company enrolled 4000 customers<sup>2</sup> and issued biometric authentication based smart cards so that they can access both savings and withdrawal services, in addition to other financial services such

as insurance, credit, remittances, pensions - at either a specified point of transaction (SPOT) within five kilometres of their homes, or at their doorstep.

Cosmos Ignite Innovations ( [www.cosmosignite.com](http://www.cosmosignite.com) ) is a social enterprise founded on an innovative business model as the first global company (as against an NGO or charity), to bring Solar Light Emitting Diode (LED) lighting and micro-energy for domestic use for the poor at the 'Bottom of the economic pyramid' in India and in parts of developing world across Africa, Asia and Latin America. It developed an innovative product – MightyLight based on the work of Stanford University and LUTW (Light Up The World) Foundation<sup>3</sup>. It uses the LED technology combined with solar energy into a product designed as a multi-functional lamp that is water resistant, break-resistant, and can be used as a room light, reading lamp or flashlight. In addition, it is believed to produce nearly 200 more times more useful light than a kerosene lamp and almost 50 times the amount of useful light of a conventional bulb. The light is rated to last for more than 50,000 hours (which is more than 30 years on usage of four hours daily or more than 15 years on usage of eight hours) and the economic payback period is expected to be 12 months or less. This product serves as a fine example of sustainable product that benefits both for the users and the producers through safe, affordable, easy-to-use solutions that deliver social benefits; support economic development; as well as mitigate climate change impact, at the same time. The organization's mission to provide a cheaper alternative for the 1.6 billion people without electricity who are dependent on fuel-based lighting such as kerosene has already impacted 100,000 people by the end of the year 2008.

HCL ( [www.hcl.com](http://www.hcl.com) ) is a leading global Technology and IT Enterprise with annual revenues of US\$ 5 billion. Founded in 1976, HCL is one of India's original IT garage start ups. Its range of offerings span R&D and Technology Services, Enterprise and Applications Consulting, Remote Infrastructure Management, BPO services, IT Hardware, Systems Integration and Distribution of Technology and Telecom products in India. HCL team comprises 64,000 professionals of diverse nationalities, operating across 26 countries including 500 points of presence in India. The company recognizing the importance of energy efficient products that help customers cut costs of ownership and meet broader goals of protecting environment, started HCL ecoSafe Initiative. This program intends to build a system to identify, develop and sustain the maintenance of an environment management system at corporate level. The key objective under HCL ecoSafe is targeted at integrating environmental management procedures into its business processes thereby protecting the environment, health, and safety of all its stakeholders. HCL has committed to manufacture products that are environment friendly in all respects and are free from hazardous chemicals. HCL ecoSafe focuses on product lifecycle management to ensure that their products right from when they are manufactured, bought by customers, recovered at their end-of-life and recycled after useful life is done in an environmentally responsible manner. The company improves the energy efficiency of its green PC models by choosing the right hardware for a green PC (e.g. using motherboards with Dynamic Energy Saver (DES) technology), and using more efficient power supplies. In addition, it also develops software to support green computing. This has resulted in energy conservation of 20 to 33 % for their green PC models and 75 % for the monitors.

As part of this company-wide initiative it has also integrated environmental sustainability practices in all its business activities which include: actively pursuing its customers to opt for environmentally sustainable (ES) products, usage of recyclable and bio degradable material in PCs and monitors, reuse/disposal/recycling of scrap through authorized scrap dealers, adopting new generation Intel's low power consuming CPUs and offering it as an option to the customers, moving all product manuals to e-manuals in CDROM to reduce paper consumption, etc. In an effort to educate their customers on recovery and recycling programs, the company places WEEE awareness and recovery process booklet all product packaging as part of standard product kit and customers can now register and request for WEEE on company's web site<sup>4</sup>.

ITC ( [www.itcportal.com](http://www.itcportal.com) ) is one of India's largest private sector companies with a market capitalisation of over US\$ 19 billion and a turnover of nearly US\$ 5.1 billion.<sup>51</sup> It was ranked 14th among the top 40 firms listed by Forbes in 2006. The group has a diversified presence in cigarettes, hotels, paperboards and specialty papers, packaging, agri-business, packaged foods and confectionery, information technology, branded apparel, personal care, stationery, safety matches and other FMCG products. Every Business Division/ SBU at ITC is run by a Chief Executive also responsible for the sustainability performance of the business unit. The company's Paperboards and Specialty Papers Division is India's largest, technologically advanced and most eco-friendly, paper and paperboards business. The business caters to a wide spectrum of packaging, graphic, communication, writing, printing and specialty paper requirements through its four world-class manufacturing units, 6 sales offices and a network of more

than 50 dealers in India, along with an international trade network of 15 distributors / agents. Supporting the cause of clean technology, ITC paperboards and Specialty paper Division has been a front-runner in introducing environment-friendly Elemental Chlorine Free (ECF) technology, and more recently, Ozone bleaching in India. ITC's focus on being a carbon-positive, water-positive, zero-solid waste disposal organization leads it to constantly develop ways of reducing, reusing and recycling. ITC's Paperboards and Specialty Papers business has also been a first-mover in the field of collecting and recycling post-consumer waste from residential localities, corporate and educational institutes. ITC reaches out directly to consumers with its Wealth Out of Waste (WOW) campaign, that has been successfully implemented in select locations across central and southern India, and will soon be reaching other locations across the country. In recognition of its outstanding achievement in environment protection, the company received 'The Papyrus Award' in 2009 from the Bureau of International Recycling and the Greentech Environment Excellence Gold Award 2008, 2006 and 2004 from the Greentech Foundation.<sup>5</sup>

Lafarge India ( [www.lafarge-cement.co.in](http://www.lafarge-cement.co.in) ) is a subsidiary of the French building materials major Lafarge, a world leader in building materials. Lafarge entered the Indian market in 1999, with the acquisition of the cement business of Tata Steel. This acquisition was followed by the purchase of the Raymond Cement facility in 2001. Lafarge's strategy and culture has incorporated the three main aspects of sustainable development – economic, social and environment issues.

On the economic side, optimizing the use of non-renewable resources allows the company to save rare resources and reduce the production costs. This is achieved primarily through responsible use of recycled materials and alternative fuels, as well as using alternative raw materials and sub-products from other industries, such as fly ash and slag from the coal and steel-manufacturing industries. Due to their similar hydraulic qualities, these materials can be used in place of binders in the cement industry and also help to reduce our CO<sub>2</sub> emissions. Lafarge India optimizes use of blended products like fly ash and blast furnace slag to produce high quality cement in line with global standards.

The company also focuses on rehabilitation of quarries by restoring the biodiversity to its natural state thus ensuring optimal integration of their operations with the environment. In order to maintain adequate green cover, tree plantation drives are carried out, both at plant sites and mining lease areas. On the social side, openness to society, active dialogue and the creation of ambitious partnerships with their stakeholders, NGOs, local communities and local government enable them to integrate their activities into the local economy in close collaboration with the communities living around their plants and quarries. The company focuses on its core themes of employability, education, health and low cost housing and implements. Lafarge India is dedicated to developing a workforce with specific skill sets and know-how that would help them to participate and integrate with the development of India by contributing in sectors with high growth. An innovative programme – Project Employability was launched to impart certified mason training to unemployed youth in areas close to their plants. Implemented in collaboration with the

Institute of Engineers-India, trainees undergo rigorous on-campus training, followed by evaluation exams. At the end of the programme, they receive certification and are provided recruitment opportunities by Lafarge customers. This project has won many awards and is also recognized as one of the best social development programs by the Lafarge Group. Lafarge India also implements Project Affordable Housing in order to facilitate low income groups to become owners of houses built with modern materials like cement and steel having provisions for sanitation and drinking water. They have developed many architectural designs, which are available free of cost to prospective home builders.

### **Implications and Lessons for Companies Planning to Implement Sustainable Marketing Programs:**

The examples cited in this article clearly indicate sustainable marketing can be a shrewd move and operating in an environmental friendly way can be cost-effective as well. Lafarge's attempt at optimizing the use of non-renewable resources that allows the company to save rare resources and reduce the production costs is one such instance. In fact, the organizations touched upon were able to create and convert 'green offerings' into commercial propositions and create competitive advantage for their companies. Instead of visualizing poverty and resource constraints as problems they have transformed them to opportunities using innovative solutions. The MightyLight produced by Cosmos Ignite Solutions based on Stanford University and LUTW (Light Up The World) Foundation, ITC paper products, HCL's Ecosafe products are fine examples of sustainable products that benefits both for the users and the producers through safe,

affordable, easy-to-use solutions that deliver social benefits; support economic development; as well as mitigate climate change impact, at the same time. Interestingly, in all the cases, the marketing strategy incorporated the three main aspects of sustainable development – economic, social and environment issues. They have also proved that shifting the focus from low-hanging fruits such as switching to energy-saving devices, buying recycled office supplies, supporting people through philanthropy to more broader themes such as protecting the environment and meeting the needs of the poor at the ‘Bottom of the economic pyramid’ to even a larger extent than is being done at present as the basis for their business strategies will ensure that organizations can remain relevant in the future. Since both developing and developed countries are likely to face the same problems in the near future such as scarcity of resources and environmental degradation, the solutions that are being used by these Indian companies are relevant and worth emulating by organizations across the world.

## **Conclusion**

While the concept of marketing at first glance seems to be antithesis of sustainability, there is a growing consensus that they can certainly offer something to each other. Though there is growing evidence to prove that embedding sustainability values in core business process creates competitive advantage, many companies have still not embraced sustainable marketing. Marketers can contribute significantly to sustainable development both in developed and emerging markets by shaping their company’s marketing approach and also changing consumer behavior and influencing their attitudes and beliefs. This is



all the more important when firms deal with consumers in developing economies who are not as savvy as their counterparts in the developed world. Firms will have to resist the temptation to exploit gullible customers in emerging and developing markets by marketing unsustainable products and instead focus on providing products and services which address local social and environmental issues. In India, many progressive companies have realized that poverty and resources constraints are two major challenges that they need to contend with and instead of visualizing them as problems they have transformed them to opportunities using innovative solutions. Since both developing and developed countries are likely to face the same problems in the near future that India faces today such as scarcity of resources and environmental degradation, the solutions adopted by Indian companies discussed in this article are worth emulating.

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<sup>1</sup> The term sustainability includes both social (equality, human rights, diversity, etc.) and environmental (climate change, pollution, energy use, etc) issues.

<sup>2</sup> Based on inputs derived from interviews with BASIX representatives

<sup>3</sup> [http://www.gsb.stanford.edu/news/bmag/sbsm0311/feature\\_led\\_lamps.shtml](http://www.gsb.stanford.edu/news/bmag/sbsm0311/feature_led_lamps.shtml)

<sup>4</sup> [www.hclinfosystems.in/hclesafe\\_initiative.html](http://www.hclinfosystems.in/hclesafe_initiative.html)

<sup>5</sup> <http://www.itcportal.com/about-itc/newsroom/press-releases/PressReleases.aspx>