



# Embedding knowledge and value of a brand into sustainability for differentiation

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## ABSTRACT

Organisations offer products to consumers, buyers often question if the product or its production process are linked to the environmental, social or economic challenges being faced by mankind. Inquisitiveness of customers in this direction points towards an opportunity for marketers to create differentiation based on the concerns of brand towards overall issue of sustainability. The authors have synthesized knowledge from various domains with a positivistic approach to understand sustainability from the perspective of branding. Using empirical knowledge this study recommends embedding sustainability into brand knowledge and brand value for creating a differentiation for the brand in a competitive market.

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## 1. Introduction

Do sustainability concerns of a brand lead to differentiation? This question is being frequently asked by practitioners and academic researchers (Green, 2008; Lowitt & Grimsley, 2009; Miles & Covin, 2000; Zott, 2003). Recent changes in climate events have raised serious concerns and are pushing businesses to approach sustainability from a broader view point and a long term perspective in the form of care for natural resources or health related issues (Levy & Egan, 2003; Sheth, Sethia, & Srinivas, 2011). From a sustainability viewpoint, researchers such as Connelly, Ketchen, and Slater (2011) and Chabowski, Jeannette, and Gonzalez-Padron (2011) recommend that managers should embed sustainability concerns into their efforts if they want to create differentiation. The shifting trends in the way customers have started to think about businesses reflect the change required in the marketing strategy of companies (Banerjee, 2001). Such change is important from both marketing and management perspectives as needs of consumers today have moved from innovative products to sustainable products (Armstrong & LeHow, 2011). In view of these pragmatic shifts, there is resurgent interest in practice about our identification of the link between sustainability concerns and brand differentiation that becomes the brand selection criteria of customers (Green, 2008; Lowitt & Grimsley, 2009).

Traditional utilitarian approach towards brands has been used as tools by managers to enable consumers to differentiate them from their competitors (Berry, 2000; Pechmann & Ratneswar, 1991). To counter global competition, application of branding theories enables managers to drive their customers across home boundaries to associate, assess, evaluate and differentiate them from their competitors (Alba et al., 1997; Shocker, Srivastava, & Ruekert, 1994). Successful development and management of a brand in a competitive market today requires a reputation built on favorable evaluations of motivated consumers (MacInnis & deMello, 2005). One such evaluation can be built using sustainability concerns as they demonstrate responsible behavior to requirements of mankind (Kakabadse, Rouzel, & Lee-Davies, 2005). Today consumers are seeking a stronger emotional connection with the brand and often look for brand differentiation that is meaningful based on its sustainable practices (Kurowska, 2003).

In an analysis of a capitalistic view of the coffee market, Linton, Liou, and Shaw (2004) studied the impact of pricing and management related matters on sensitive issues such as unfair trade practices. Their findings highlight supply driven marketing efforts as an appropriate solution to ethically serve consumer segment. Connelly et al. (2011) reported that consumers perceived green brands to be of higher quality and produced through more ethical practices. A report published by World Business Council for Sustainable Development with the support of University of Cambridge highlighted how integration of sustainable development into the activities of an organization can improve its brand value (WBSCD, BEP and CPI Report, 2005). The report recommends that managers responsible for brand management should lead sustainability concerns from a marketing perspective as they create differentiation for brands.

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In case of brands known for not contributing to sustainability issues, consumers tend to develop a disapproving outlook and unfavorable attitude towards the brand over a period of time (Clancy & O'Loughlin, 2002). Green and Macmillan reported that both consumer and investors seek information from the brands about the efforts they make to address environmental issues. Even not so strong brands can contribute to the social welfare. Such contributions reduce negative influence of corporate actions or processes on mankind (Varey, 2011). Lately various researchers have elaborated on the process of adopting practices that address sustainability concerns and its influence on customer behavior (Godichaud, Tchangani, Peres, & lung, 2011; Peldron & Caldeira, 2011). Communicating similar concerns has been recommended for building brand knowledge and brand value for corporate reputation in the literature by Luo and Bhattacharya (2006). Various other studies have discussed the sustainability as a concern for marketers and its outcomes (Connelly et al., 2011; Crittenden, Crittenden, Ferrell, Ferrell, & Pinney, 2011). However, there is a gap in the academic literature the about influence of sustainability driven actions in the context of brand differentiation.

Our purpose is to examine the linkages between sustainability based brand knowledge and brand value as drivers of brand differentiation that can affect brand selection criteria of customers. Although a few studies in this area of research, particularly on the role of marketing in building sustainability of businesses are available, this research will be one of the initial studies in this domain that will investigate the identified relationships in the context of brands. For empirical testing, we have developed a set of measures for brand differentiation in the backdrop of sustainability. We begin by defining the constructs and linkages between them. The business sustainability construct identified includes environmental, social and economic sustainability based actions of a brand which are discussed as determinants of brand knowledge and brand value that together builds brand differentiation. The next section will present a review of existing literature on these constructs. Following sections will explain methodology and discuss findings and analysis. Limitations implications and the conclusion of the research conducted are presented.

## 2. Literature and hypotheses

Conventionally, the marketing function in an organization is considered to be responsible for identifying needs and wants of its target segment and creating business opportunities within the target segment by building differentiation (Hult, 2011). Recent shifts in the awareness about the role played by businesses in sustainability has driven marketers to focus on the requirements of its environmental, social and economic dimensions and correlate them with desires of consumers (Jin & Zailani, 2010). This new demand of consumers makes it challenging for marketing managers to embed sustainability concerns into their marketing strategies and to ensure both commercial and non-commercial benefits from branding such as profits and differentiation, respectively (WBSCD Report, 2005). The academic literature proposes integrating marketing activities with branding philosophies to create differentiation in a competitive market (De Chernatony & O'Riley, 1998; Vargo & Lusch, 2004). Recent practitioner reports and anecdotal information recommends driving brand differentiation with actions based on three dimensions of sustainability for enabling managers to analyze the performance of their marketing actions (Peloza & Yachnin, 2008; WBSCD Report, 2005).

Sustainability has been defined as ability of an organization to favorably drive its actions towards concerns and welfare of people, planet and profits in a way that the company will be able to

empower itself to meet its own and its customers' current and future requirements successfully (Chabowski et al., 2011; Crittenden et al., 2011). Sustainability oriented concerns and actions of brands are dependent upon cumulative efforts of various individual and cross-departmental functions of an organization (Closs, Speier, & Meacham, 2011). For example, a function such as supply chain management can contribute to efficient product movement with minimum use of natural and organizational resources. The human resources department can contribute by motivating staff to adopt sustainability actions in their routine functions such as use of paper or electricity to reduce the negative impact of business activities on the triple bottom line of people, planet and profits.

Communicating individually and frequently about various dimensions of sustainability related concerns and actions can build knowledge that leads to the favorable reputation of a company (Gill, Dickinson, & Scharl, 2008). Lowitt and Grimsley (2009) reported that consistency of a balance in economic, social and environmental aspects as three dimensions when maintained by companies helps them sustain competitiveness and differentiation even while there are market disruptions or industrial disturbances or changes in the leadership. The high performance business model of Lowitt and Grimsley (2009) reflects on the sustainability concerns that can lead the company towards growth, profitability, positioning, consistency and longevity. Their model when studied from a marketing perspective discusses business opportunities, retaining customers, premium pricing and product distribution policy to fulfill its requirement for growth. While for profitability Lowitt and Grimsley (2009) consider the role of product life cycle policy and use of technology apart from consistency in positioning and relationship based marketing, they also recommend the demonstration of socially responsible behavior for driving profits and achieving sustainability objectives.

Another camp of sustainability researchers today are blaming marketers for over promoting products based on the argument that they have pushed consumers to go beyond their genuine requirement of products and over consuming products without being mindful of the consequences of over consumption. Sheth et al. (2011) recommended that marketers should adopt a customer-centric approach towards sustainability to debate the irresponsible behavior of brands that motivates customers to over consume products. He recommends the demonstration of responsible behavior by creating awareness of mindful consumption in the consumer segment. Marketers could redirect consumption towards healthy, reduced, regulated and adequate consumption. Researchers such as Frank (2004) recommend application of consumption tax to be levied on over consumption of products which might lead to long-term happiness.

Czinkota (2012) introduces the term 'curative marketing' to indicate a new direction to marketers in their efforts to satisfy needs and develop further. The term 'curative' has been used by Czinkota (2012) to emphasize the sense of restoring and developing health, for all and 'restoring' to indicate that there is something lost which was once there, but no longer is sufficiently present right now and 'developing' refers to new issues and areas which should be addressed by managers with help of new tools and frames of reference. While a 'health' related managerial effort highlights the effect of their actions on human life, it places marketers in a difficult position that reflects on their marketing orientation efforts stress and requires them to address, resolve and improve.

Marketing can do so by aiming beyond its traditional focus of consumer, cost and price, communication and distribution, and incorporating in its activities a determination of joy, contribution to pleasure, fulfillment, safety and growth, apart from advancement towards a better society. On an international level there is the

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