

## SUSTAINABLE MARKETING STRATEGY - THE WAY TO GAIN PROFITS ON INTERNATIONAL MARKETS

Saša Virijević Jovanović<sup>254</sup>

Vesna Pijevac<sup>255</sup>

Vesna Filipović<sup>256</sup>

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**Abstract:** *The aim of the paper is to show that sustainable development is the only alternative for achieving the long-term success in modern international marketing. By researching various business examples, the paper explains that the application of well-designed, sustainable marketing strategies leads to profitability of the company. The paper also points to the connection of sustainable marketing and social innovation that represents the development of new ideas - products, services and models in order to meet social needs and create new social relationships or collaborations.*

**Key words:** *sustainable development, sustainable marketing, green marketing, social innovation*

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### 1. INTRODUCTION

The theory of marketing in general is based on economic and technical systems, which are concentrated on exchanges, products, production and profit. Over time, the theory and practice of marketing management has evolved towards humanity and sustainability with the emergence of concepts such as social marketing, ecological marketing, environmental marketing, green marketing and sustainable marketing.

Kotler and Zaltman (1971) were among the first authors who have defined social marketing as design, implementation, and control of programs calculated to influence the acceptability of social ideas and involving considerations of product planning, pricing, communication, distribution, and marketing research.[1] The first definition of social marketing was given by Fisk (1974), according to whom, "Ecological marketing focuses on the acknowledgement of an impending ecological crisis and the willingness and ability of marketers to assume responsibility for avoiding this doom." [2] Green marketing and environmental marketing concepts were formed as focus-group strategies to persuade green consumers to purchase high-price products that are green products or environmentally friendly products. Henion and Kinnear (1976) introduced the concept of ecological marketing as an effort to provide solutions to environmental problems.[3]

Further evolution of marketing went towards sustainability, resulting in the concept of sustainable marketing. Unlike previous concepts, sustainability marketing focuses on the balance between economic, ecological and social considerations in marketing. The term sustainable marketing is coined by Sheth and Parvatiyar in 1995.[4] According to them the term

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<sup>254</sup>Faculty of Applied Management, Economics and Finance, Belgrade, Serbia

<sup>255</sup> High school for tourism, Belgrade, Serbia

<sup>256</sup> High school for tourism, Belgrade, Serbia

addresses the “ways and means” for reconciling economic and ecological factors through reinvented products and product systems. Belz and Peattie came to the following definition “Sustainable marketing is a kind of marketing, which builds long lasting customer relationships effectively, without any particular reference to sustainable development or consideration of sustainability issues”.[5] Sustainability marketing involves building and maintaining sustainable relationships with customers, the social environment and the natural environment.[6]

Marketing based on sustainable fundamentals is a marketing of future that will envelop the survival and competitiveness of organizations in domestic and foreign markets. Although the concepts of ecological, social and sustainable marketing were considered incompatible with profitability, world marketing practice successfully denounced such attitudes. Therefore, this article analyzes sustainable marketing in terms of opportunities to gain competitiveness and profit in international markets.

## **2. THE CONCEPT OF SUSTAINABLE MARKETING**

### **2.1.THE SUSTAINABLE DEVELOPMENT**

After the Rio Conference in 1992, the idea of sustainability is getting more important, as it gathers a growing number of supporters who perceive the need to carefully and benevolently treat the environment. The most frequently quoted definition is from the Brundtland Report, which defines sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.[7]

Bearing in mind the significance of the sustainability concept, General Assembly of the United Nations has adopted 2030 Agenda for Sustainable Development. The Agenda defines Sustainable Development Goals (SDGs) and targets that will stimulate action over the next 12 years in areas of great importance for humanity and the planet. The 17 Sustainable Development Goals include the following [8]:

- Goal 1. End poverty in all its forms everywhere;
- Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture;
- Goal 3. Ensure healthy lives and promote well-being for all at all ages;
- Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all;
- Goal 5. Achieve gender equality and empower all women and girls;
- Goal 6. Ensure availability and sustainable management of water and sanitation for all;
- Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all;
- Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;
- Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation;
- Goal 10. Reduce inequality within and among countries;
- Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable;
- Goal 12. Ensure sustainable consumption and production patterns;
- Goal 13. Take urgent action to combat climate change and its impacts;
- Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development;

- Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss;
- Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels;
- Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.

## 2.2. THE SUSTAINABLE MARKETING STRATEGY

If we chronologically analyze marketing concepts, from productive, sales-oriented to consumer-oriented concepts, we can conclude that sustainable marketing is a step further in the evolution of marketing. The sustainability marketing integrates the key economic and technical perspectives with the emerging concepts of relationship marketing and the social, ethical, environmental as well as the principles of the sustainable development. This evolution is illustrated on figure 1.

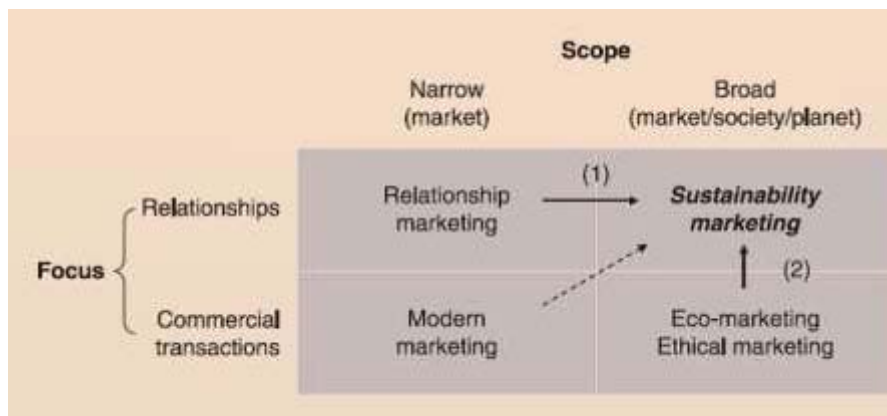


Figure 1: The evolution of sustainable marketing [9]

A sustainable strategy is one that enables a company to create value for its shareholders, while at the same time contributing to a sustainable society.[10] In accordance to this, sustainable marketing can be defined as socially and environmentally responsible marketing that meets the present needs of consumers and businesses while preserving or enhancing the ability of future generations to meet their needs.

Fuller (1999) defines sustainable marketing 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.”[11]

**Sasa Virijevic Jovanovic** is a marketing author and associate professor at Faculty of Applied Management, Economics and Finance, MEF in Belgrade, Serbia. She received her Bachelor Degree in economics.



Postgraduate and PhD studies she finished at the University of Braca Karic, both in management. Sasa Virijevic Jovanovic is the author of over 40 publications (researches, papers, books) about marketing, brand management and digital branding. In her works, she was particularly interested in the concept of branding, emphasizing that the brand is a strategic issue of business and the essence of modern marketing.

Jamrozny (2007) presented sustainable marketing model as a triangle, shown on figure 2. According to this model three dimensions of sustainability marketing are economic viability, social equity and environmental protection.

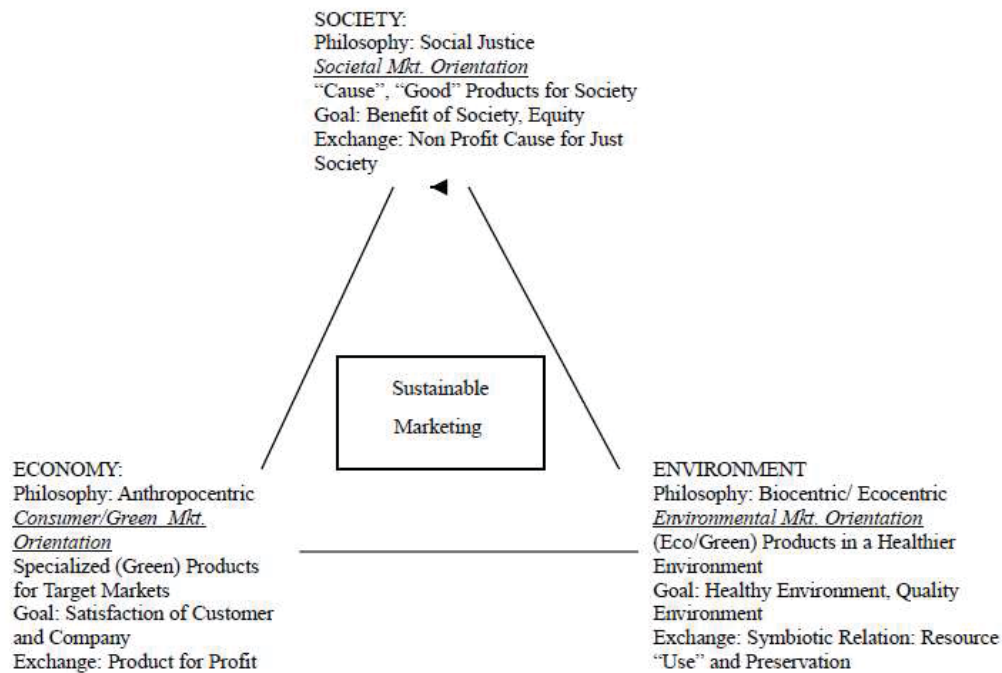


Figure 2: Sustainable marketing model [12]

The triangle model indicates that sustainable marketing implies the integration of three approaches simultaneously. Therefore, a focus on just one dimension of the model, even with either societal or environmental objectives, limits the potential of marketing.

According to Slater and Olson (2001), "Marketing strategy deals with decisions related to market segmentation and targeting, and the designing of positioning strategy based on marketing mix." [13] Therefore, when discussing a sustainable marketing strategy, it is important to consider the impact of sustainable development on the elements of the marketing mix. The marketing mix is used for strategic purposes to provide the right product in the right place at the right time and with appropriate promotion, all with

the aim of increasing the satisfaction of consumers' needs and achieving better results than the competition. In order to demonstrate this effect Peattie and Belz (2010) have converted the traditional 4P's into 4C's which include sustainability criteria into marketing strategy. This theory is based on the 4P's of marketing given by McCarthy, shown on figure 3.

*Vesna Pijevac is a teacher and researcher at high school for tourism in Belgrade. In her research and pedagogical work she is engaged in marketing, tourism and entrepreneurship. For many years she has successfully led student teams in various international competitions, in order to encourage entrepreneurship among young people. She graduated at The Faculty of Economics in Belgrade, and completed her master studies at Modern Business School. Before teaching career, she has been working in foreign trade and finance.*



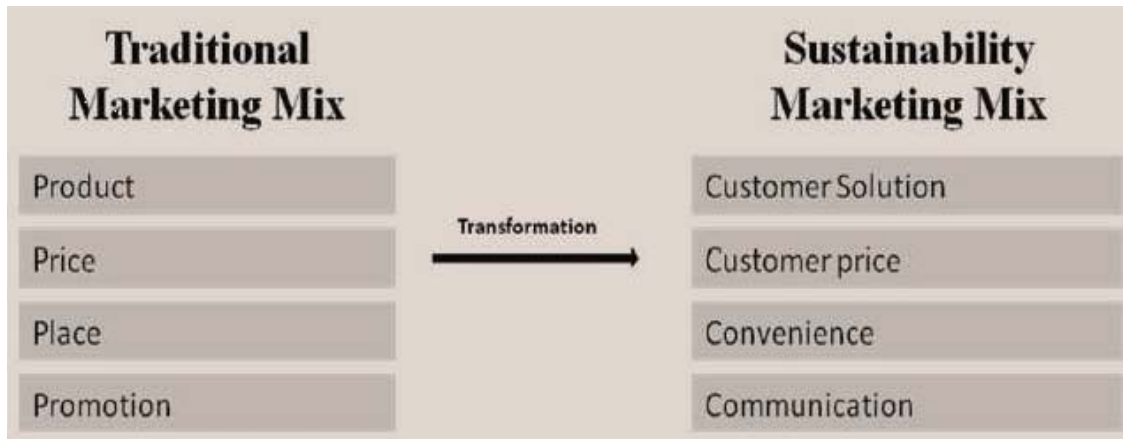


Figure 3: McCarthy's 4P Approach Vs Sustainability Marketing Mix

According to Belz and Peattie sustainable marketing delivers solutions to customer needs that are:[14]

- ✓ Ecologically oriented, taking account of the ecological limits of the planet and seeking to satisfy our needs without compromising the health of ecosystems and their ability to continue delivering ecosystem services.
- ✓ Viable, from technical feasibility and economic competitiveness perspectives.
- ✓ Ethical, in promoting greater social justice and equity, or at the very least in terms of avoiding making any existing patterns of injustice worse.
- ✓ Relationship-based, which move away from viewing marketing in terms of economic exchanges towards viewing it as the management of relationships between businesses and their customers and other key stakeholders.

The role of consumers and company marketing in achieving sustainable development is equally important and interconnected. The increasing significance of sustainable marketing has among other things been the result of change in the consciousness of consumers who became ecologically more conscientious over time. For example, research conducted by the Eurobarometer has shown that a majority of Europeans think that protecting the environment is very important to them personally. More than nine in ten respondents (94%) say that the protection of the environment is important to them personally, and among these more than half (56%) say it is very important. The most important environmental issues for Europeans are climate change (51%), followed by air pollution (46%) and the growing amount of waste (40%). More than a third consider the pollution of rivers, lakes and ground water an important issue (36%), while around a third choose the following issues: agricultural pollution and soil degradation (34%), the decline or extinction of species and habitats, and of natural ecosystems (33%) and marine pollution (33%).[15]

The role of the company's marketing is also important, bearing in mind that its innovative solutions and promotion should influence changing attitudes of consumers and stakeholders in general. Companies contribute in a variety of ways to sustainable development, and one of them is a social innovation that represents new ideas that meet social needs, create social relationships and form new collaborations. The starting point for innovation is an awareness of a need that is not being met and some idea of how it could be met [16], such as hunger, violence, poverty, gender equality, homelessness etc.

### 3. SUSTAINABLE MARKETING TOWARDS PROFITABLE MARKETING

Nidumolu, Prahalad, and Rangaswami have found that companies on their journey to sustainability go through five distinct stages of change: (1) viewing compliance as opportunity; (2) making value chains sustainable; (3) designing sustainable products and services; (4) developing new business models; and (5) creating next-practice platforms.[17]

It is interesting that we can find successes stories that confirm this path toward sustainable business in not so recent past. Namely, organic products were a luxury with little market to speak of when Ibrahim Abouleish founded Sekem, Egypt's first organic farm in 1977. The years Sekem spent honing sustainable cultivation practices paid off, though, in 1990, when it moved into growing organic cotton. Organic produce was entering mainstream Western stores then, and worldwide demand for all things organic began to surge. Besides the profitability in foreign market organic farming has brought other advantages as well: Sekem's farming techniques helped reclaim arable land from the Sahara, which had been spreading into the Nile delta. With them, the soil absorbed more carbon dioxide from the atmosphere, decreasing greenhouse gases, and cotton crops needed 20% to 40% less water. [18]

However, the story of an organic farming in Egypt was one of the few examples from the past, proving that sustainable business can make a profit and competitiveness. Much common were the examples of companies that saw the sustainable development concept as an obligation, which creates cost.

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n 2001 Polonsky and Rosenberger argue that from the consumer perspective, consuming sustainable product does not always mean that the costs associated with the specific product will be higher as in the long term, for instance, fuel and energy efficient goods will be more likely to provide savings in the long run, even if the initial out-of-pocket expenses are higher.[19] Whiting (2008) pointed out that sustainability in marketing strategy not only helps in competitive advantage but also opens door for cost savings and innovation.[20]

*Vesna Filipovic is a teacher and practice coordinator at High school for tourism in Belgrade. She teaches subjects connected with marketing and tourism. Also in charge cooperation with social partners. She graduated at The Faculty of Economics in Belgrade, and completed her master studies at Modern Business School.*



Over the time, the idea of sustainable development has evolved, gaining more and more supporters every day. In order to explore the performance of sustainable companies and their business results Deutsche Bank has conducted a research, which evaluated 56 academic studies. The research showed that companies with high ratings for environmental, social, and governance (ESG) factors have a lower cost of debt and equity; 89 percent of the studies they reviewed show that companies with high ESG ratings outperform the market in the medium (three to five years) and long (five to ten years) term.[21]

In 2015 MIT Sloan Management Review, in partnership with The Boston Consulting Group (BCG), conducted a global survey of managers about corporate sustainability. The survey response set included 7,011 respondents from 113 countries. This research pointed out that a strong majority of all respondents recognize that good sustainability performance matters to

investors more today than in past years. Investors recognize that good sustainability performance is a source of many types of business value such as: increased potential for long-term value creation, improved revenue potential, and operational efficiency.[22]

When it comes to marketing and business, the idea of sustainable development has eventually received a new connotation, which is not inconsistent with profit. The innovators adopted a different mind-set about costs: They focus on increasing the efficiency of the system as a whole. Research and development of clean energy-oriented innovations and ecologically conscientious business behavior models have led to reduced costs of environmental technology, so that sustainable business is seen as an investment. For example, over the past decade, the Chinese government has invested billions of dollars in the research and development of solar panel production, which has led to a fall in their price. The famous Zara company has introduced savings of € 500 million by introducing new product designs that reduce the impact on the environment. A \$ 400 million savings was also achieved by Xerox, which has implemented an environmentally-friendly product design.[23]

Sustainable product is significant for performance in many markets, bearing in mind the following benefits:

- ✓ New market opportunities. Access to a new, green market that is rapidly evolving;
- ✓ Differentiation on the market;
- ✓ Possibility of cutting the costs. The use of more sophisticated, clean technology can provide a reduction in energy and resource consumption, as well as pollution.
- ✓ Opens up access to market niches. For example, ecological products such as cosmetics without cruelty to animals are targeting conscientious consumers who are willing to pay more for such products.

For marketing strategists the key is to understand the potential effects of the green agenda on the company's business and its consumers. For example, climate change poses a threat to companies from tourism, agriculture, insurance, etc. Bio diversity is a central theme for the fisheries sector and forestry. Issues of carbon dioxide emissions and global warming are of great importance for businesses in the automotive and petroleum industries. Therefore, sustainable marketing often begins with a sustainable product design, which represents the interface between production and consumer demand/environmental demand. The product should be designed to meet the needs of both manufacturers, consumers and the future generations. Production on sustainable principles should anticipate green marketing at the beginning of the production process itself, not at the end of the production chain. Therefore, market research becomes an extremely important segment of marketing companies that suggest producers ways of linking ecology, aesthetics, business and ethics. In addition, environmental designers should be encouraged to experiment with the radical moves of releasing packaging products or multipurpose use of environmental packaging, which a smart economic policy should support with credit benefits and tax concessions.

## CONCLUSION

Sustainable marketing is a new evolutionary marketing trend that emerged due to the emergence of environmental conditions that highlighted the issues of ecology, health, human rights protection, poverty, and the needs of new generations, that have not been included earlier marketing concepts. Starting from the importance of sustainable development, this paper pointed to the necessity of applying sustainable marketing strategies, which should be a key part of the business of any organization wishing to achieve competitiveness in the contemporary

markets. The practice has shown that the implementation of sustainable business is not only a cost to the organization, but an investment that opens the way to new innovative solutions that change the world, but at the same time brings profitability and competitiveness.

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