

**Strategic and Instrumental Sustainability Marketing
in the Western European Food Processing Industry:
Conceptual Framework and Hypotheses**

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1. Introduction

Sustainability is a key challenge for food processing companies in the 21st century. On the one hand sustainable development offers new marketing opportunities, on the other hand it also involves risks. *HIPP*, one of the leading producer of baby food, has been committed to “produce healthy food products in highest quality in unison with the environment” for almost 50 years. In doing so, they became one of the leading companies in the Western European market for baby food and the world largest processor of organic resources. *Green & Black’s Limited*, an English processor of organic chocolate, biscuits and ice cream also aims at the highest product quality by supervising every step from “bean to bar”. Over the last 15 years they have combined a passion for organic chocolate products and ethical values which makes them the fastest-growing confectionary brand in England. Yet another example of market differentiation through sustainability is *FROSTA*, a manufacturer of frozen food. In 2003 they launched new FROSTA brand products which all meet the self-imposed “FROSTA Purity Law”. *Nutreco*, an international food company at various stages of fish, poultry and pork production chains accords the highest priority to the production and supply of food products that are safe, healthy and nutritious. In particular for the discredited meat industry, the obligation to food quality and safety through monitoring and quality systems is inescapable and essential. A step forward takes *Unilever*, one of the world's leading suppliers of fast-moving consumer goods (i.e. foods, home care and personal care). They made the commitment to source all their fish from sustainable stocks in order to secure their future supplies of raw materials. *Diageo*, the world’s leading producer of alcoholic drink brands addresses the social issue of alcohol abuse. In July 2005, they announced plans to launch a “Global Consumer Information Policy” which includes responsible drinking reminders and facts of nutrition, allergens and alcohol content/service size. Three years ago, they already developed a “Code of Marketing Practice for Alcoholic Beverages” to give guidance for all those involved in the marketing process.

The illustrative examples show, that sustainability involves a wide range of issues such as organic farming, fair trade, food safety, over-fishing, alcohol abuse, and so on. Over the last 20 years ecological, health, and social problems turned into marketing issues because politics and society put more emphasis on their demands and requirements on the market i.e. marketers have to address these issues especially. A possible (and promising) way to deal with these issues can be seen in the *concept of sustainability marketing*. If marketing is understood as the guiding concept of corporate management – besides being a corporate function – sustainability marketing

constitutes a management conception which attends to the socio-ecological demands and eventually turns them into competitive advantages by delivering customer value and satisfaction. The research project “Strategic and Instrumental Sustainability Marketing in the Western European Food Processing Industry” mainly focuses on the following *two research questions*:

- *How* do Western European food processing companies (re-) act to the challenge of sustainable development? To which degree and in which form do Western European companies in the food processing industry practise strategic and instrumental sustainability marketing? (*characteristics of sustainability marketing; chapter 2*)
- *Why* do Western European food processing companies take up sustainability marketing? Which factors have a positive, respectively negative influence on the success of sustainability marketing? (*drivers and determinants of sustainability marketing, chapter 3*)

The *main focus* of the study are food processing companies in Western Europe. The food market in Western Europe can be characterized by stagnancy and saturation (CIAA 2004). Hence, sustainability marketing presents opportunities for market differentiation and market development. The focus on food processing companies has been chosen because they play a decisive role in the whole food chain “from farm to fork”. They can influence upstream activities i.e. agriculture and packaging as well as downstream activities i.e. distribution, consumption, retro-distribution (see section 2.2). Due to this impact, food processing companies have a high responsibility with respect to sustainable development. Studying sustainability marketing however, the *unit of analysis* are sustainable food products which can be broadly defined as food products that reduce the environmental burden, consider social aspects and satisfy consumer needs better than competing offer do (Belz 2005b, p.17; see section 2.3).

In the present paper a *conceptual framework* for the upcoming empirical quantitative study will be developed. Based on a critical literature review, the characteristics of the strategic and instrumental sustainability marketing are outlined (Karstens 2005) (chapter 2). *Hypotheses* on the nature of sustainability marketing, external drivers and internal determinants are deducted (chapter 3). Furthermore, some thoughts of the measurement of success in terms of sustainability marketing are presented (chapter 4). The paper concludes with the synopsis of the conceptual framework as well as an outlook on further research proceedings (chapter 5).

2. Characteristics of Sustainability Marketing

2.1 Conception and Definition of Sustainability Marketing

Modern *marketing* can be briefly defined as “managing profitable customer relationships” which implies attracting new customers by promising higher value as well as keeping current customers by delivering satisfaction (Kotler/Armstrong 2004, p. 5). A product is market successfully if the marketer understands the needs and wants of the consumer, develops products that provide superior value and prices, promotes and distributes them effectively. *Sustainable development* is a kind of development that meets the needs of the present without compromising the ability of future generations to meet their own needs (World Commission on Environment and Development 1987). The concept of sustainable development implies intra-generational equity (i.e. equality between North and South) and inter-generational equity (i.e. between one generation and another). There are three dimensions of sustainable development: environmental, social and economic. A major challenge for companies is to integrate and balance the three aspects of sustainability in a responsible way. They have to maintain financial stable and competitive while including ecological requirements and social demands. Regardless the “win-win-win” rhetoric, the integration of the three dimensions is a very difficult task, full of conflicts and trade-offs. This is particularly true for *sustainability marketing*, which may be defined as “building and maintaining sustainable and profitable relationships with customers, the social environment *and* the natural environment” (Belz 2005b, p. 2). Sustainability marketing integrates social and ecological criteria into the whole process of marketing. Exhibit 1 illustrates the conception of sustainability marketing which exists of six steps: 1. analysis of socio-ecological problems; 2. analysis of consumer behaviour; 3. normative sustainability marketing; 4. strategic sustainability marketing; 5. instrumental sustainability marketing; and 6. transformational sustainability marketing (further readings Belz 2005a; Belz 2005b).

- 1. Step: *Analysis of the social and ecological problems*, generally and specifically with respect to products which satisfy customer needs and wants;
- 2. Step: *Analysis of consumer behaviour* with special respect to social and ecological concerns;
- 3. Step: Corporate commitments to sustainable development in the mission statement, development of sustainability visions, formulation of sustainable principles and guidelines, setting of socio-ecological marketing objectives and goals (*normative aspects of sustainability marketing*);

- 4. Step: Socio-ecological product quality as well as sustainability segmentation, targeting, positioning, and timing of market entry (*strategic aspects of sustainability marketing*);
- 5. Step: Integration of social and ecological criteria into the marketing-mix, i.e. products, services and brands, pricing, distribution and communication (*instrumental aspects of sustainability marketing*);
- 6. Step: Participation in public and political change processes, which transform existing institutions towards sustainability (*transformational aspects of sustainability marketing*).

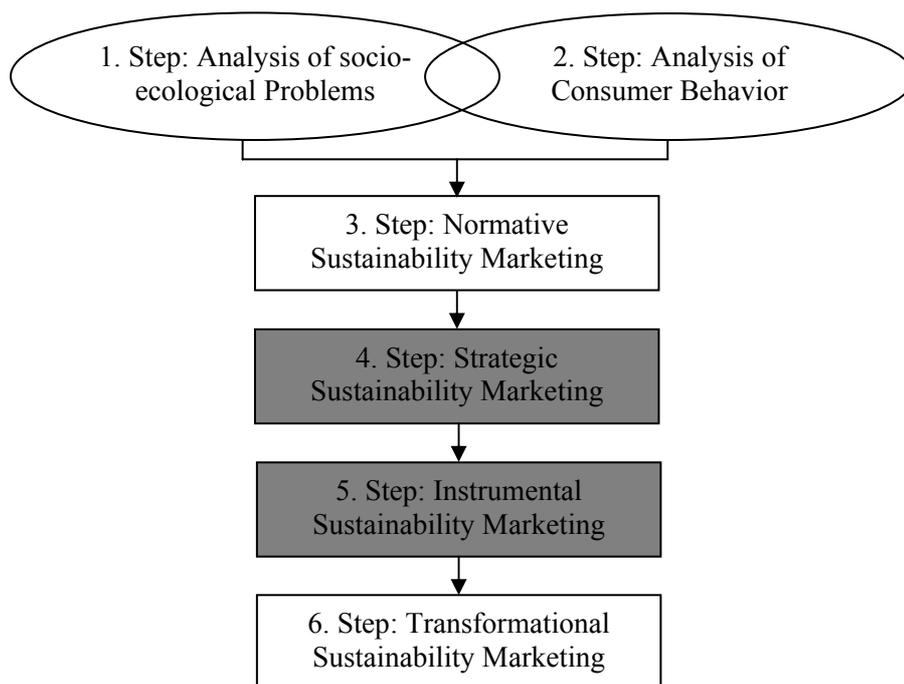


Exhibit 1: Conception of Sustainability Marketing

Source: Belz 2005b, p. 3.

In which way does sustainable development change the nature of marketing? What is distinctive about sustainability marketing? There are at least six distinguishing features of the sustainability marketing concept (see Belz 2005b, p. 21-22):

- 1. *Ecological and social problems*: In conventional marketing literature, the ecological and social problems of products along the whole life cycle are hardly considered. Therefore, the analysis remains on a rather superficial level. Usually, the situation of the natural environment is briefly analysed as part of the macro environment of the company. The shortages of raw materials and increased pollution are mentioned without any further consequences for the conception of marketing (Kotler/Armstrong 2004, p. 123-124; Peattie 1999, p. 63). In con-

trast, the analysis and identification of ecological and social problems are points of departure in sustainability marketing.

- 2. *Intersection*: The identification of the intersection between socio-ecological problems and consumer behaviour is crucial for sustainability marketing. Social activists with big hearts put a strong emphasis on the solution of socio-ecological problems, but widely neglect consumer wants and demand. They follow a kind of anti-marketing or alternative marketing approach. Mainstream marketing mainly focuses on consumer demand overlooking the social and ecological environments. Sustainability marketing tries to find solutions to the socio-ecological problems and at the same time meet customers demand.
- 3. *Normative aspects*: In conventional marketing, the long-term aim is the building of profitable customer relationships. Traditional marketing goals are increases in sales, profits and market shares. In contrast, sustainability marketing aims at sustainable and profitable relationships with customers, the natural environment *and* the social environment, thus meeting the triple top line. Besides common marketing goals like sales, market shares and profits, ecological and social objectives are also important. Furthermore, sustainability marketing critically questions underlying assumptions and reflects key concepts of marketing (e.g. needs, wants, and consumer sovereignty).
- 4. *Information asymmetries*: Social and ecological qualities of products are often credence qualities (e.g. organic farming or fair trade products). The customer has to believe the information given by producers or third parties with respect to the social and ecological qualities of products. These kinds of information asymmetries open the door for opportunistic behaviour on the supply side, which may lead to scepticism on the demand side and, finally, to non-purchases and market failure. That is why signalling, credibility and trust are crucial in sustainability marketing.
- 5. *Time aspects*: Classical marketing is focussed on sales and transactions. It is rather short-term oriented and has a bias towards the present. Modern marketing represents a paradigm shift from transactions towards relations. That is why it is called “relationship marketing” (Christopher/Payne/Ballantyne 1991). It aims at building lasting customer relationships in order to produce high customer equity. Sustainability marketing goes much further. It aims at building lasting relationships with customers, the social environment and the natural environment. Thus, long-term thinking and futurity are fundamental components of sustainability marketing (Peattie 1999, p. 58).

- 6. *Transformational aspects*: In conventional marketing, the macro environment is often taken for granted. Many companies regard external forces as uncontrollable elements they have to adapt to (Kotler/Armstrong 2004, p. 132). In sustainability marketing, the macro environment is perceived as a constraint to overcome. Within the existing framework, there are few economic incentives to behave in a sustainable way, both for producers and consumers. To change the existing frameworks in favour of sustainability, common efforts of governments, non-governmental organizations and companies are necessary, on local, national and international levels.

Altogether, the concept of sustainability marketing discusses six different steps as outlined above. Here, the *main theoretical focus* is laid on the strategic and instrumental sustainability marketing. Issues concerning the other steps, i.e. the analysis of socio-ecological problems and of consumer behaviour as well as the normative and transformational sustainability marketing will not be taken into account. They go beyond the focus of the research project “Strategic and Instrumental Sustainability Marketing in Western European Food Processing Industry”.

2.2 *Characteristics of Strategic Sustainability Marketing*

After defining the key terms and describing the underlying conception, the *characteristics of strategic sustainability marketing* (SSM) are outlined which have been analysed and detected so far in a number of studies over the last decade (see for a detailed overview Belz 2001 and Karstens 2005). In general, strategic marketing deals with questions concerning product offers, market segmentation, targeting, positioning, and timing (Kotler/Armstrong 2004, pp. 54-55). Key issues of strategic sustainability marketing are the kind and level of *socio-ecological product qualities*; *sustainability market segmentation*; *targeting*; *positioning*; and *timing of market entry*. With respect to the food processing industry, these strategic aspects will be explained in the following in some further depth:

Socio-ecological qualities of food products

The main focus of the research project is on food processing companies. However, the socio-ecological quality of food products does not only depend on how they are processed, but also what they are made of, how they are packaged, how far they are transported and by which means, how they are used, and how they are disposed. Here the whole product life cycle “from farm to fork” respectively “from stable to table” has to be taken into account, i.e. agriculture, processing,

packaging, distribution, consumption, and retro-distribution (Belz 2004, p. 99). Thus, the socio-ecological quality of food products is a complex, multi-dimensional phenomena.

In terms of *agriculture*, generally three different practices can be distinguished which influence the socio-ecological product quality as well as the natural environment: (1) conventional or industrialized agriculture, (2) integrated production (IP) and (3) organic farming. While conventional, chemical-based farming focuses on immediate effects with little regard to soil protection and biodiversity, organic farming avoids the use of synthetic chemicals as well as genetically modified organisms (GMOs). IP is in-between conventional farming and organic farming using farming methods which have little impact as possible on the natural environment without adopting all restrictions and compromises of organic farming. *Fair trade* puts its focus on certain social issues in developing countries e.g. guaranteed minimum wages, child education and reliable contracts. During *processing*, aspects like food safety, hygiene and working conditions come into effect regarding the socio-ecological product quality. Additionally, different kinds of processing techniques influence the product quality directly (e.g. loss of vitamins, reduction of amino acids and changes in taste and flavor, etc.) as well as the social-ecological environment (e.g. water and energy consumption, safety precautions for the workers, etc.). Regarding *packaging* three different kinds of resource recovery strategies can be distinguished: (1) packaging reuse, (2) materials recycling, and (3) materials transformation (Fuller 1998, p. 154-164). If the socio-ecological product quality is broadly defined, the kind of packaging strategy has a relevant impact on it, depending also on the material used for packaging e.g. paper, cardboard, plastics, glass, and metals. The kind of *distribution* also determines the socio-ecological product quality. The distance and the means of transportation are hereby of importance (Skoppek/ Karstens, p. 185). In terms of *consumption* the storage and the preparation of the food products influence the environmental impact i.e. the energy which is used. *Disposal* and *recycling* of waste need to be considered as well. With regards to the retro-distribution, it is especially important to set incentives for the consumers to make recycling as convenient as possible.

Food processing companies can influence both upstream and downstream activities e.g. through customer information. Therefore, they play a crucial role in the whole food chain “from field to fork” and have a responsibility for upstream as well as downstream activities. Exhibit 2 shows the synopsis of the complex, multi-dimensional phenomena of the socio-ecological product quality along the stages of the agri-food chain with selected parameter values.

<i>Stages from "Farm to Fork"</i>	<i>Selected Parameter Values</i>
Agriculture	conventional agriculture ← → organic farming
Processing	less gentle methods high energy use ← → gentle methods low energy use
Packaging	material transformation ← → packaging reuse
Distribution	high energy use ← → low energy use
Consumption	high energy use ← → low energy use
Retro-distribution (RD)	complex RD system high energy recycling ← → convenient RD system composting

Exhibit 2: Socio-ecological Quality of Food Products: Synopsis

Market segmentation

Market segmentation is a major requirement in order to deduce and implement successful sustainability marketing strategies. The market consists of many types of products and customers and through segmentation consumer groups i.e. market segments are shaped in which the respective consumers respond in a similar way to marketing efforts (Kotler/Armstrong 2004, p. 54). There are three basic options for sustainability market segmentation which seem to be relevant for the strategic sustainability marketing: companies can either practise in the socio-ecological *niche*, in *market segments* or in the *mass market*. The decision for one or the other of these strategic options depends particularly on the size of the company (SME or MNC), its financial resources and its market position (Belz 2005a, p. 24). Geographic segmentation is of special importance in the food market. The food habits and taste often differ from one region to another. Many small and medium sized food companies compete on local and regional levels. They localise their food products, promotion, and sales efforts to fit the needs of individual regions (e.g. Bavarian breweries). Large food companies mainly compete on national and European levels. They build up strong brands by advertising heavily. The socio-ecological dimension and importance of sustainability marketing may vary from one country to the other depending on factors like consumer behaviour and public opinion.

Targeting

After the segmentation of the market the company needs to decide which segment to target. This decision is closely connected to the question of the relevant target group. In other words, the chosen market segment and the relevant target group need to be congruent. Generally, it is possible to distinguish between three different groups of consumers: *socio-ecological actives*, those that can be *socio-ecological activated* and *socio-ecological passives* (Belz 2001, p 79). This classification corresponds to the previously described socio-ecological market segmentation, i.e. socio-ecological niches, market segments and mass market. The first group is highly sensitized for socio-ecological issues and well informed. For them socio-ecological product features have high self-esteem and recognition benefits. Therefore, they are willing to cut back at the functional benefit and if necessary accept higher prices as well as higher costs (e.g. information costs). These consumers can be assigned to the social-ecological niche. The second group appreciates socio-ecological aspects as well and detects therein certain self-esteem and recognition benefits, but these consumers are not offhand prepared to accept loss in functional benefits and increase of costs. The third group assigns no value added to socio-ecological product features and normally does not accept either loss in benefits or exaltations in costs. Consumers of this target group belong to the mass market. According to their individual perception and evaluation of benefits and costs which is based on a number of personal and situational factors the consumers belong to one or the other target group.

Positioning

Tied up to the decisions of the socio-ecological product quality as well as the sustainability market segmentation and targeting are questions of positioning: While role do ecological and social dimensions play in positioning? Are they important features of the product brand? If so, to which extent? Generally, there are three positions for competitive advantage: socio-ecological product qualities as *dominant*, *equal* or *flanking* dimensions in relation to price and performance (Meffert/Kichgeorg 1998, pp. 277-279). If the socio-ecological product dimension is communicated as the primary benefit prior to performance and price, a dominant positioning strategy is strived at. In doing so, particularly the socio-ecological actives are approached. In the case of an equal positioning strategy the socio-ecological dimension is addressed with the same intensity as performance and price. This option seems to be adequate when targeting those who can be socio-ecological activated. In the third positioning strategy the socio-ecological dimension constitutes

only a flanking dimension which supports the primary product benefits price and performance. This positioning strategy should be applied if the socio-ecological passives are strived at.

Timing of market entry

In addition to the strategic decisions concerning socio-ecological product quality, sustainability market segmentation, targeting and positioning, the issue of the right timing is important. In the case of introducing sustainable products in the food market two opposed market entry barriers are of great importance: *primary consumer related market entry barriers* versus *secondary competitor related market entry barriers* (Meffert/ Kirchgeorg 1998, pp. 231-232). Entering the market at an early stage implies that the technological innovations may still be afflicted with initial problems and the consumers are not sensitive to sustainability issues. In order to overcome the primary market entry barriers it is necessary to educate the consumers and continuously improve the sustainable food products. The secondary market entry barriers are competitor related instead of consumer related. In this case the company enters the market at a later stage when the leading company has already established the reputation of a sustainability pioneer and gained significant market share.

Exhibit 3 summarises the so far detected, relevant characteristics of strategic sustainability marketing which have been described prior in this chapter and presents their parameter values in their most extreme form.

<i>Characteristics</i>	<i>Parameter values</i>
socio-ecological product quality	high socio-ecological quality ←————→ lower socio-ecological quality
market segmentation	niche ←————→ mass market
targeting	actives ←————→ passives
positioning	dominant ←————→ flanking
timing of market entry	leader ←————→ laggard

Exhibit 3: Characteristics of Strategic Sustainability Marketing: Synopsis

2.3 *Characteristics of Instrumental Sustainability Marketing*

To implement the sustainability marketing strategies, an *instrumental sustainability marketing* (ISM) has to be developed, i.e. a comprehensive marketing-mix which integrates social and ecological criteria. The sustainability marketing-mix includes sustainable *products, services and brands*; suitable and fair *pricing*; multi-channel *distribution* and credible *communication* between information and animation.

Sustainable products

In general, a *product* is “anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or a need” (Kotler/Armstrong 2004, p. 276). This implies that products can be physical objects, services, events, persons, places, organisations and ideas as well as mixes of these entities. For food products however, it is reasonable to limit the definition to physical products because they contribute directly to the consumers’ physical health and form the core of the sustainability marketing activities. In a broader sense, services corresponding with the product can be considered as well. The product constitutes the key element in the market offering and hence in marketing.

Sustainable products can be defined as products that “reduce the environmental burden, consider social aspects and satisfy customer needs better than competing offers do” (Belz 2005b, p. 17). They have a higher socio-ecological efficiency than other products in the same category. However, the socio-ecological benefit which a sustainable product offers compared to other (less sustainable) products can only be a relative not an absolute one (Ottman 1998). The socio-ecological benefits of products change over time depending on aspects such as the latest technology and the societal pursuit. By definition, sustainable products try to realise all three components of the sustainability concept: on the one hand they consider and integrate environmental and social aspects along the entire value chain and on the other hand they are competitive and economic successful over a long period of time in socio-ecological niches, and beyond.

Sustainable products are not synonymous to *socio-ecological products* which widely neglect the economic dimension to a certain degree. This kind of product focuses primarily on environmental and social issues and tends to neglect the consumer wants and needs. Therefore, socio-ecological products are only successful in niches or over a short period of time but they seldom remain permanently in the (mass) market.

Suitable and fair prices

The price is the amount of money which is charged for a product or a service or – in a broader sense – is the sum of all the values that consumers exchange for the benefits of having or using the product or service (Kotler/Armstrong 2004, p. 345). The pricing is determined by three factors: *the (production) costs*, *the demand side* and *the market competitors*. It is argued frequently, that sustainable food products generate higher production costs than conventional food products due to higher labor intensity, higher production risk, crop reduction, etc. Socio-ecological active consumers perceive a value added and are willing to pay a higher price. In this case the producers or processing companies can “skim the cream of demand” for sustainable products. But, nevertheless, in order to become competitive and to address the less active consumers, it is necessary that suppliers of sustainable products reconsider pricing and pass possible cost saving through directly to the consumer in order to demonstrate that sustainable products do not have to be inevitably more expensive than other high quality products (“more for the same”). Only taking production costs into consideration would be shortsighted. Pricing should rather be customer-value oriented than cost oriented, in particular with sustainable products which offer the consumer specific values conventional product do not offer.

Multi-channel distribution

To provide the consumer with (fresh) sustainable food products without increasing their purchase costs is the task of a good distribution system within the sustainability marketing-mix. For the producer this implies building reliable relationships with the consumers as well as with the suppliers and resellers in the supply chain (Armstrong/Kotler 2004, p. 399). But a significant part of sustainable food products is still distributed through small enterprise distribution channels e.g. selective health food shops. Consumers belonging to the target group of those that can be socio-ecological activated or the socio-ecological passives will not accept additional costs and time spending to purchase sustainable products. Therefore a high degree of distribution is essential if sustainable products should be marketed successfully beyond the niche (Belz 2005b, p. 19). This can only be achieved through a multi-channel distribution strategy which combines direct as well as indirect trade channels.

Customized, benefit-oriented and credible communication

Quite often the marketing-mix is reduced to the fourth “p” – communication – but without an innovative sustainable product, attractive and fair prices as well as an effortless access to those products the sustainability marketing-mix would not be complete. Nevertheless, it is the bilateral communication between the company and its current and prospective customers which builds and maintains any kind of relationship which again constitute the core of sustainability marketing. In general, the communications mix is composed of a specific combination of advertising, sales promotion, public relations, personal selling and direct-marketing tools in order to achieve the marketing objectives (Armstrong/Kotler 2004, p. 467). When marketing sustainable food products however two product specifics – which need to be considered particularly in the communication mix – come into effect. Firstly, socio-ecological product qualities often constitute *credence qualities* which cannot be inspected or experienced by the consumer – neither before nor after the purchase of the product (Darby/Karni 1973). Consequently, many consumers are insecure if the promised product qualities really apply e.g. if the apple is really organic. Therefore, it is the task of sustainability communication to ensure and convey credibility and reputation to the unsettled consumer who acts differently according to the particular target group (Schrader 2005, pp. 61-74). This can be achieved by means of sustainability food and packaging labels by independent third parties (e.g. Marine Stewardship Council, Bio Suisse bud, and Trans Fair) (Belz 2005b, p. 18). Additionally, the marketers have to balance information and animation in order to provide the consumer with enough credible information as well as adequate emotional stimuli to push sustainable purchases (Schrader 2005, pp. 68-69).

Secondly, consumers decide in favor of sustainable products if their *individually perceived and evaluated net-benefit* is valued higher than the net-benefit of a comparable conventional product (Belz 2001, p. 78). As a result of this personal evaluation the basic classification of target groups can be developed. For those that can be socio-ecological activated and the socio-ecological passives the collective sustainable benefit is not relevant in terms of a purchase decision. Only if an *individually perceived benefit* comes along with the collective socio-ecological benefit, sustainable buying patterns and consumer behaviour can be expected (Schrader 2005, pp. 64-65). Therefore, it is the goal of “sustainability communication” to point out the individual benefit with the aid of so-called *motive-alliances*: the socio-ecological benefit needs to be combined with conventional purchase criteria such as taste, health, freshness, convenience or design (Belz 2003, p. 354).

Exhibit 4 shows the synopsis of the characteristics of the instrumental sustainability marketing in terms of the different target groups respectively market segments in the food industry.

	<i>Niche</i>	<i>Market segments</i>	<i>Mass market</i>
	Socio-ecological actives	Those that can be socio-ecological activated	Socio-ecological passives
Food products and services	Highest socio-ecological food product quality necessary; in parts optimization of socio-ecological product quality with no regards to conventional product quality criteria	High socio-ecological food product quality necessary; only few compromises concerning conventional product quality criteria	Minimal socio-ecological standards necessary; no compromises at the expense of conventional food product quality criteria; socio-ecological characteristics often even contra productive
Price	Very high prices of socio-ecological food products enforceable	Slightly higher prices of socio-ecological food products enforceable compared to conventional products	Only the same or lower prices of socio-ecological food products enforceable
Distribution	Small, selective health food shops; direct marketing e.g. on markets or at farm stores; mail order business	High degree of distribution essential, e.g. organic supermarkets; integration of socio-ecological products into the conventional range, e.g. in food retailing	Very high degree of distribution essential; multi-channel distribution
Communication	Factual-argumentative communication; predominantly information-based communication	Emotional-argumentative communication	Radical emotionally communication; supplemented with factual information on demand

Exhibit 4: Characteristics of Instrumental Sustainability Marketing: Synopsis

3. Influencing Factors of Strategic and Instrumental Sustainability Marketing

The following chapter describes the *external drivers and internal determinants* which have a positive respectively negative impact on the implementation and success of sustainability marketing. Parts of the conceptual framework are based on empirical findings which result from an online questionnaire at about 1000 corporations that has been accomplished by the Institute for Economy and Ecology of the University St. Gallen (IÖW-HSG) and the Swiss Coalition of Eco-

logical Aware Corporations (ÖBU) in October 2003 (Belz 2005a). Beyond these research findings, further assumptions are withdrawn from the relevant literature and other empirical studies (e.g. Kirchgeorg 1990, Marshall et al. 2005).

First of all, it is necessary to define and distinguish the relevant terms used in this section frequently which are: external drivers, internal determinants, influencing factors and success factors. *External drivers* and *internal determinants* are factors which have a great impact on the success of sustainability marketing. The former influences the sustainability marketing from the outside (e.g. consumer demand, public opinion) and the latter from the inside (e.g. focused marketing-mix, owner's personality). Therefore they are both *influencing factors* which have an impact on the sustainability marketing success, i.e. they are also *success factors*. The following section will outline the relevant external drivers and internal determinants and deduce preliminary hypotheses.

Exhibit 5 shows the most important influencing factors of sustainability marketing drawn from the IWÖ/ÖBU study mentioned above. It presents the answers to the question: Which are the key influencing factors for the socio-ecological engagement in marketing activities? Altogether five alternatives were available and multiple answers were possible. Four of these five factors constitute external drivers i.e. customers, public, legislator and competitors, whereas the management is the only relevant internal influencing factor identified in the empirical study.

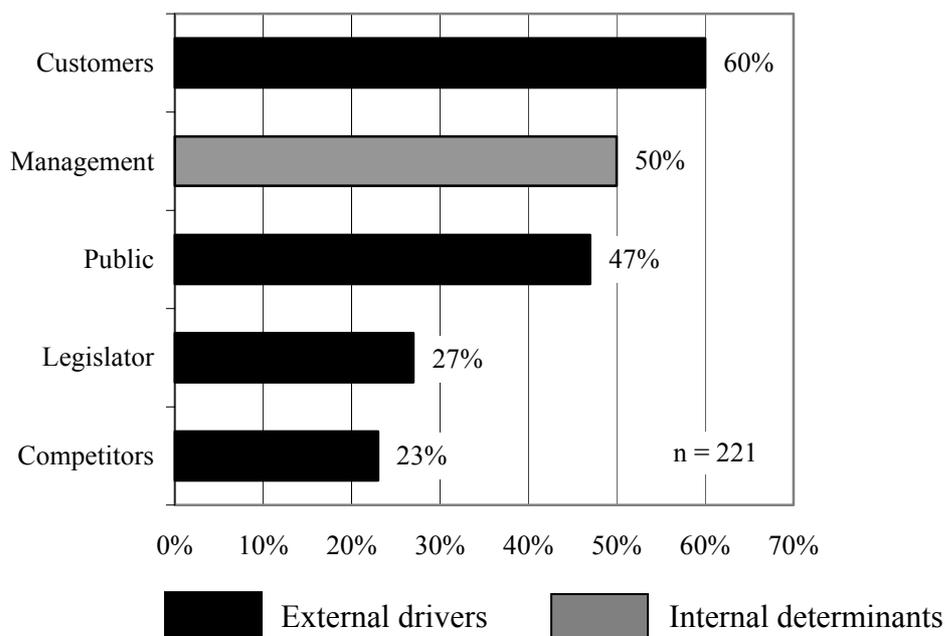


Exhibit 5: Influencing Factors of Sustainability Marketing

Source: Belz 2005a, p. 30.

3.1 *External Drivers: Sustainability Marketing between Public Push and Market Pull*

The market pull and the public push are to a great extent responsible for the implementation of successful sustainability marketing (see exhibit 5). These first two influencing factors – the customers and the public – constitute external drivers which need to be brought into an “*external fit*”. According to the online survey the most important and powerful influencing external factor is the customer itself: 60% of the companies declare that the customer is the main factor for their socio-ecological commitment. Consumers and retailers make demands on the company for sustainable products and services. Therefore this *market pull* constitutes a crucial factor in terms of the successful implementation of sustainability marketing. Companies can respond to these demands by offering sustainable products differentiating themselves from their competitors respectively opening up new market segments. This is particularly important in times of stagnating and saturated food markets. In this respect the following hypothesis can be formulated:

H₁: *The market pull influences the implementation as well as the characteristics of strategic and instrumental sustainability marketing.*

The stronger the market pull, the more distinctive are the strategic and instrumental sustainability marketing characteristics (in terms of market differentiation and market development).

The *public push* constitutes the second external influencing factor for sustainability marketing: 47% of the companies claim that the general public is an important factor for their socio-ecological commitment. It seems to have a great impact on the implementation of sustainability marketing which constitutes a major difference to mainstream marketing where the critical public only plays a minor role (Belz 2005a, p. 29). The consideration of ecological and social aspects has become a crucial factor for marketers because environmental and social problems have turned into marketing problems over the last 20 years. This can be seen as a result of the critical general public which puts more and more emphasis on its demands on the market. Therefore the intensity of the public push constitutes a key factor because - particularly for processing food companies in the public eye with a strong (but easy to harm) brand - it is important to keep up a high reputation and an undamaged image in order to differentiate during a period of time which is characterized by crowding out, price war and food scandals. Whereas the market pull leads to market differentiation the public push results rather in risk avoidance. This leads to the second hypothesis:

H₂: *The public push influences the implementation as well as the characteristics of strategic and instrumental sustainability marketing.*

The stronger the public push, the more distinctive are the strategic and instrumental sustainability marketing characteristics (in terms of risk avoidance).

3.2 *Internal Determinants: Coordinating the Relevant Characteristics Successfully*

In addition to the external drivers there are certain influencing factors within the company which have a crucial impact on the successful implementation and performance of sustainability marketing. One internal determinant which has already been mentioned above is the management. Its commitment to sustainable development seems to be a strong internal influencing factor (e.g. Marshall et al. 2005, pp. 104-107). But besides influencing factors which come along with the company as such, i.e. size and legal form, business history and owner's personality, industry affiliation and visibility (public exposure), there are three important interrelations which seem to be of importance concerning the success of sustainability marketing. These assumptions are drawn from the analysis of the characteristics of strategic and instrumental sustainability marketing in chapter 2. Like the external drivers, the internal determinants need to be brought to an "*internal fit*" in order to achieve successfulness.

Firstly, on the strategic level there needs to be a fit between the fundamental strategic management (SM) of the company and the strategic sustainability marketing (SSM). Here the assumption is made that the development of a successful sustainability marketing strategy can only be realized if it "fits" the fundamental management strategy or vice versa (Kotler/Armstrong 2004, p. 41). This implies a general orientation towards sustainability of the strategic management which goes beyond lip service.

Secondly, it is inevitable that the instrumental sustainability marketing (ISM) is coherent which implicates that all marketing-mix instruments, i.e. products, prices, distribution, and communication are coordinated and harmonize with each other (sustainability marketing-mix).

Last but not least, the strategic sustainability marketing and the instrumental sustainability marketing need to fit: a promising sustainability marketing strategy will have no further impact if the sustainability marketing-mix does not reflect and realize the sustainable strategic planning and objectives.

The analysis of the strategic and instrumental characteristics of sustainability marketing leads therefore to the following hypotheses:

H₃: *There needs to be a fit between the fundamental strategic management of the company (SM) and the strategic sustainability marketing (SSM).*

It is assumed that the sustainability marketing strategy is only/even more successful if the fundamental management strategy aims at the same direction.

H₄: *For the instrumental sustainability marketing (ISM) it is essential to be consistent in itself: targeting a certain consumer group needs a certain combination of sustainability marketing-mix elements (4 P's). If the sustainability marketing-mix is not coherent, the possibility of successful sustainability marketing seems limited.*

H₅: *Furthermore, it is supposed that a fit between the strategic sustainability marketing (SSM) and the instrumental sustainability marketing (ISM) i.e. the sustainability marketing-mix is essential: a sustainability marketing strategy will have no further impact if the sustainability marketing-mix does not reflect and realize the strategic goals.*

Exhibit 6 in chapter 5 shows the developed conceptual framework and the context in which the hypotheses are linked.

4. Measuring the Sustainability Marketing Success (SMS)

Marketing was defined as “managing profitable customer relationships”. Thus, the success of conventional marketing can be measured on the one hand by the duration and intensity of the customer relationship and on the other hand by the companies’ profits earned from that relationship. Key measures for marketing performance are: profits, sales, market shares, number of new customers, customer satisfaction, repetition sales, substitution sales, brand awareness, brand recognition, brand image, brand loyalty, etc. Similarly, the success of sustainability marketing can be measured by the duration and intensity of the relationship with customers on the one hand, and the profits companies earn from that relationship on the other hand. But in the case of sustainability marketing there seem to be two possible approaches how to measure its success.

First, the sustainability marketing success (SMS) can be measured through an *indirect, uni-dimensional* approach. In this case the key measure would be the sales of sustainable products. The argument is as follows: The more sustainable products are sold substituting conventional products, the more benefits there are for the social and ecological environments because sustain-

able products “reduce the environmental burden, consider social aspects and satisfy customer needs better than competing offers do”. The advantage of this measuring approach lies in its rather simple application and implementation i.e. the sales figures of sustainable products in comparison to conventional products. In doing so, the sustainable food product as unit of analysis forms the exclusive focus of the approach. But it is questionable, whether this indirect, uni-dimensional measurement satisfies all three sustainability dimensions in an appropriate way or whether it over-simplifies the complex concept of sustainability.

Therefore a second approach will be introduced. The SMS can as well be measured *directly* and in a *multi-dimensional* form. If sustainability marketing is defined as “building and maintaining sustainable and profitable relationships with customers, the social environment and the natural environment”, there are three different kinds of dimensions which need to be taken into account: customers, the social environment, and the natural environment. Every of those dimensions can be broken down into further sub-measures i.e. the abstract dimensions need to be operationalized and evaluated appropriately:

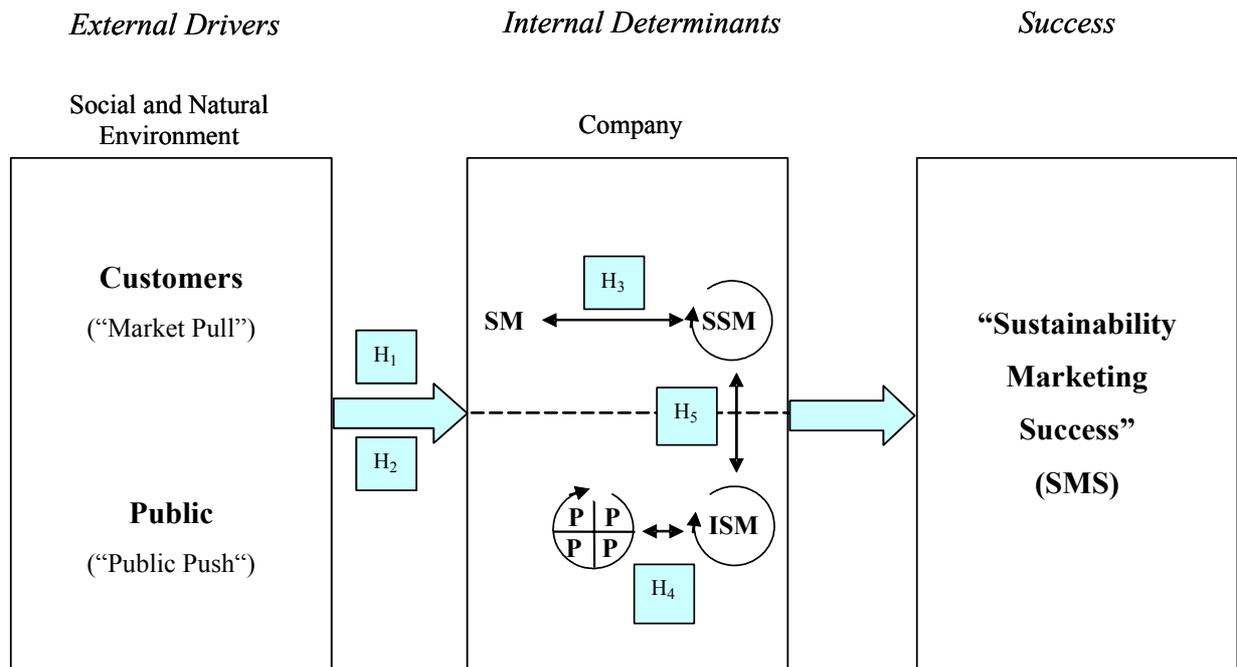
- *Customers (economic dimension)*: profits, sales, market shares, number of new customers, customer satisfaction, repetition sales, substitution sales, brand awareness, brand recognition, brand image, brand loyalty, etc.
- *Social Environment (social dimension)*: food safety, health, obesity, employee satisfaction, equal treatment, child labor, industrial safety, working conditions, fair trade, etc.
- *Natural Environment (ecological dimension)*: process efficiency, product efficiency, packaging efficiency, etc.

Thus, the key challenge of the direct, multi-dimensional measurement lies in the operationalization of the term ‘sustainability’ respectively its three dimensions. Nevertheless, it is debatable whether this second approach is not more appropriate and adequate in order to measure the SMS since it considers the relevant issue in more depth.

For the quantitative study, based on a written questionnaire it needs to be further discussed and pretested, whether the direct measurement or the indirect measurement of the SMS is more fruitful and practicable.

5. Conceptual Framework

Exhibit 6 presents the conceptual framework of this research project. It shows the overall synopsis of the previous elaborated correlations and hypotheses of the strategic and instrumental sustainability marketing concept. As dependent variable, the sustainability marketing success stands at the right side of the synopsis.



SM Strategic Management

SSM Strategic Sustainability Marketing

ISM Instrumental Sustainability Marketing

PPPP Sustainability Marketing-Mix

SMS Sustainability Marketing Success

H₁-H₅ Hypotheses 1 to 5

Exhibit 6: Conceptual Framework of the Research Project

Subsequent to the development of the conceptual framework and the deduction of the preliminary hypotheses, the written questionnaire will be designed and pretested until the end of this year. The survey will be accomplished at the beginning of 2006, followed by the analysis and evaluation.

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