

## 16.4: The Benefits of Sustainable Marketing

### Learning Objectives

By the end of this section, you will be able to:

- Describe the various benefits of sustainable marketing.
- Explain why sustainable marketing is a business imperative.

### Purpose-Driven Strategy

A purpose-driven strategy is when companies work to make a difference in their community through their decisions and support of environmental programs. There are numerous benefits to developing a purpose-driven business strategy, including enhanced brand recognition, reduced costs, improved effectiveness, easier regulatory compliance, waste minimization, and enhanced return on investment (ROI) (see Figure 16.3).

Harvard Business School Professor Rebecca Henderson indicates that businesses must adopt a shared value orientation. Doing well and doing good are mutually dependent. Companies cannot do good if they are not doing well. Companies with strong ESG programs outperform the market long-term despite short-term investment (Chladek, 2019).

PepsiCo developed its sustainability program under former CEO Indra Nooyi. Nooyi understood the benefits of purpose to planet, people, and profits. PepsiCo focuses on agriculture, water, packaging, product, climate, and people to create systemic change within PepsiCo and the broader environment. The results of this work are outlined in an annual sustainability metrics report that holds PepsiCo accountable for its purpose. The company earned over \$70 billion in net revenue in 2020, illustrating the shared value opportunity (PepsiCo, 2022).

### Link to Learning: PepsiCo and Its Purpose-Driven Strategy

Read more about PepsiCo and its commitment to sustainability in its [2021 ESG Report](#) and its [ESG Performance Metrics report](#).

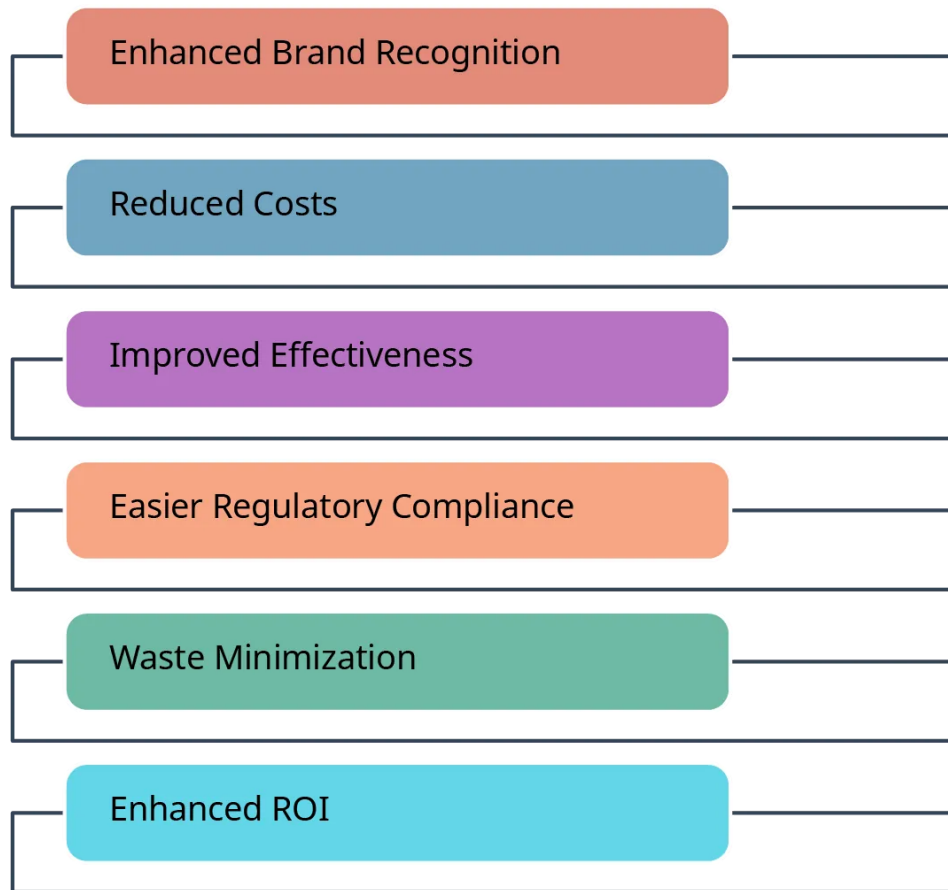


Figure 16.3 Benefits of Sustainable Marketing (CC BY 4.0; Rice University & OpenStax)

## Enhanced Brand Recognition

Brands that incorporate purpose earn enhanced brand recognition for that work, which can become a competitive advantage and result in higher profitability. Patagonia is a prime example of a company known for its sustainability programs. Its founder, Yvon Chouinard, envisioned the company as a pillar of sustainability and set the stage for other companies to follow. Patagonia sells outdoor wear that is durable and designed around sustainability. The brand will repair its goods to avoid customers purchasing new ones when they reuse them. It also donates 1 percent of annual sales to good causes worldwide. Finally, Patagonia facilitates an Action Works website that connects interested parties with local environmental protection groups to promote activism (Patagonia, 2022). These sustainability activities are critical to ensuring that Patagonia is a brand with a purpose.

## Reduced Costs

Sustainability practices often carry an up-front investment; however, over time, these costs typically return a cost reduction. A survey by Bain & Company indicates five times revenue growth among all brands scoring highest on sustainability (Davis-Peccoud & Deryckere, 2021). This is possible because sustainability programs mean reduced materials, recycling programs, and lower use of natural resources, which are all good for the planet and reduce production costs.

For example, Ben & Jerry's stopped using plastic straws and spoons in its stores (Ben & Jerry's, 2021). This reduction strategy was good for the planet while also decreasing expenses for the business, demonstrating that planet and profits can be mutually beneficial. Founders Ben Cohen and Jerry Greenfield set forth a product, economic, and social mission for the business. In response to the success seen from Ben & Jerry's, many organizations seeking to align profit, planet, and people have adopted the "triple bottom line" mission.

## Improved Effectiveness

Sustainability practices can improve organization effectiveness. For example, investing in human capital is an area of importance because potential new employees consider purpose, well-being, culture, diversity, equity, and inclusion when deciding where to work. MasterCard is an organization that prioritizes its people, and it sees improved effectiveness as a result. MasterCard saw an average annual profit growth of nearly 19 percent in the 10 years it connected purpose to profits (World at Work, 2021).

The Anya Hindmarch company brought attention to the excessive use of plastic bags in 2007 with its "I Am Not a Plastic Bag" campaign (Anya Hindmarch, 2022). The campaign sought to replace plastic bags with an eco-friendly alternative that reuses existing materials. Since 2007, companies have followed suit with reusable tote bags that serve as both a sustainability measure and a means of advertising their brands.

### Link to Learning: Anya Hindmarch and Antidote

Anya Hindmarch's "I Am Not a Plastic Bag" campaign was a collaboration with Antidote, a creative agency, that gained loads of press coverage. That publicity contributed to the U.K. decision to charge for plastic bags. Read more about the campaign from the [Anya Hindmarch website](#) and [Antidote's website](#). When you're finished, take a moment to be inspired by Anya Hindmarch and her recent sustainability fashion product, [a collection of biodegradable leather bags](#).

## Easier Compliance with Regulators

In addition to returning value to shareholders, companies are responsible for following international, national, and local laws. A sustainability agenda goes beyond companies' legal obligations and extends to serving the world better. This strategy eases compliance by going above and beyond what government agencies expect. For example, the U.S. Environmental Protection Agency (EPA) provides regulatory information by sector to provide businesses with clear regulatory compliance criteria.

### Link to Learning: EPA Regulatory Information

If you're interested in learning more about the EPA's regulatory information and its compliance criteria per industry, [check out this regulatory information by business sector](#).

## Waste Minimization

Environmental measures can reduce waste, creating a healthier planet. Many organizations are focused on waste minimization to demonstrate a commitment to the Earth. For example, McDonald's has set a waste minimization goal of having 100 percent guest

packaging derived from renewable, recycled, or certified sources by 2025. This is impactful because single-use plastics are a known source of waste, particularly in the oceans where plastic outnumbers fish in some regions (Matz, 2019).

### Enhanced Return on Investment

As with any business strategy, goals and metrics are also important in a sustainability strategy. Organizations expect a return on investment when resources are committed, even with sustainability work. Organizations can examine several factors to determine the financial return on sustainability efforts. They will evaluate the increased interest from investors, changes in brand value, and revenue. Additionally, organizations can consider the well-being of their employees, their impact on the planet, and their efforts to improve the world as another key measure of success (see Figure 16.4).



Figure 16.4 Factors to Consider in Evaluating ROI with Sustainability Strategies (CC BY 4.0; Rice University & OpenStax)

### Knowledge Check

It's time to check your knowledge on the concepts presented in this section. Refer to the Answer Key at the end of the book for feedback.

1.

Which of the following is the sustainability strategy benefit when a company becomes known for its sustainability efforts and they become a competitive advantage?

- a. Increased brand recognition
- b. Reduced costs
- c. Waste minimization
- d. Enhanced return on investment

2.

Which benefit of sustainability occurs when brands show their shareholders an economic return on sustainability programs?

- a. Increased brand recognition
- b. Reduced costs

- c. Waste minimization
- d. Enhanced return on investment

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