"Sustainable business as marketing strategy"

AUTHORS	Carl Obermiller Chauncey Burke April Atwood

ARTICLE INFO	Carl Obermiller, Chauncey Burke and April Atwood (2008). Sustainable business as marketing strategy. *Innovative Marketing* , *4*(3)
RELEASED ON	Monday, 15 September 2008
JOURNAL	"Innovative Marketing "
FOUNDER	LLC "Consulting Publishing Company "Business Perspectives"

Carl Obermiller (USA), Chauncey Burke (USA), April Atwood (USA)

Sustainable business as marketing strategy

Abstract

This research paper is a conceptual analysis of the marketing application of sustainability initiatives. It reviews the current challenges marketing managers confront in defining and executing effective sustainability practices, citing example cases. The paper identifies the breadth of sustainability considerations and notes that the array of stakeholders and ambiguity of both benefits and implementation add complexity to traditional marketing strategy. The paper proposes a classification scheme to help managers to select appropriate sustainability initiatives. This classification scheme is supported by referencing marketing strategy theories that have proven effective in achieving competitive advantages through traditional marketing initiatives. The classification scheme is illustrated with a detailed application to a firm that has succeeded with a sustainability positioning strategy. The paper concludes that sustainable initiatives offer sources of competitive advantage but, like most superior marketing strategies, such initiatives must be systematically integrated within all of the firm's value generating activities.

Keywords: sustainable business, marketing strategy, competitive advantage, corporate social responsibility.

Introduction. State of marketing sustainability

"Sustainability" has become a hot topic in boardrooms and business schools. A recent survey of European corporations identified climate change as the challenge most likely to dominate their agendas within the next five years (ClimateBiz, 2007). The top 50 MBA programs have increased their required course offerings in Sustainable Business since 2005 and all of the top ten business schools have chapters of Net Impact, the global organization of graduate business students and professionals interested in "using the power of business to make a positive net social, environmental, and economic impact" (Christiansen, 2006). Increasingly, firms are referencing sustainability in their communications, their strategic plans, and their annual reports (for example, ADM's advertizing its effort to "Feeding and Fueling the World: Healthier Alternatives for Planet Earth" through its PBS news hour sponsorship). Unclear, however, is whether corporate responses are truly significant, or mere "window dressing". In the latter case, a crucial question is the role of sustainable business practices in establishing competitive advantage.

We attempt a more elaborate discussion of the meaning of "sustainable business" below; but, to begin, the general sense is contained in the definition of the World Business Council for Sustainable Business Development: "Meeting the needs of the present without compromizing the ability of future generations to meet their own needs". Most often, "sustainable" has been used in reference to the environment, regarding natural resources, pollution, waste, and energy use. It has also, however, been applied to human resources – both employees and customers – as well as local culture. Sustainability is an inherent concern in the concept of "triple bottom line" planning objectives – financial, social, and environmental.

Should firms attempt to operate sustainably? No one would disagree that most of the objectives of sustainable business – reductions in pollution, waste, energy use, etc. – are desirable outcomes for society. The question then, is how to motivate these efforts. Should the government require sustainable business practice? Is sustainability part of the *quid pro quo* in which businesses give back to society to offset their privilege of operation? Is it, essentially, corporate charity – a donation that is in no way required? Or, can sustainability be a basis for competitive advantage?

The answer to all the previous questions, we believe, is yes. In some cases, it is necessary to regulate sustainable practices. Toxic waste and air or water pollution sometimes threaten the health of consumers and community members. Unsustainability, in those cases, is intolerable. And, although we might argue about the efficiency or requirement for firms to engage in charity or the need for a *quid pro quo*, we can certainly permit such motivations for sustainability efforts. On the other hand, we should not have to rely on altruism, if sustainability can be a source of competitive advantage. We believe it can. Thus, we believe in an "everyone wins" scenario in which firms profit from forms of socially desirable sustainable practice that the market desires.

The competitive value of sustainable practice is by no means obvious. Some firms have clearly suffered, at times, because they were perceived not to be sustainable in their behavior (e.g., Exxon, Enron, McDonalds, Nike). And, other firms have had at least modest success because the perception was that they were sustainable (e.g., Body Shop, Patagonia, Green Mountain Coffee). Certainly, no one believes that all successful firms operate sustainably

– new reports of egregious unsustainability occur with regularity (e.g., BP's disclosure of corroded pipe lines in Alaska) Further, it is not difficult to find examples of firms that lose money essentially *because* of their sustainability efforts (Mazda, for example, has invested 15 years developing a hydrogen rotary car engine that has yet to achieve commercial success). Even casual observation indicates that doing a good thing for society may be the wrong thing for a given firm.

Our objective in this paper is to develop a framework for sustainability as marketing strategy. Such a framework requires a definition of marketing strategy, a definition of sustainability, and an analysis of how the two concepts might interact. This framework will be an argument in support of sustainability as a basis for competitive advantage, and our discussion will elaborate on how such strategy can be developed. An illustrative example is considered in light of the framework.

1. Marketing strategy

Marketing strategy can be complex, involving a wide variety of environmental concerns and dozens of executional tactics. In essence, however, the objective is fairly straightforward. The goal of marketing strategy is to attain a position that is *desirable*, *different*, and *defensible*. The position must be *desirable*, because marketing is the process of satisfying consumers' wants and needs. Firms compete in the marketplace to offer the most desirable products. In a free market, consumers ultimately determine strategic dimensions. They buy from firms that they perceive to be delivering the most satisfaction. Marketing strategy must ultimately be based on an understanding of consumer desires. The position must be *different* in order to have a competitive advantage. It profits a firm very little to understand and provide consumer desires, if all its competitors do likewise. To be the most desired *and* different from all competitors is to own the best position, rather than sharing it. Last, strategic goals must be *defensible*, in order to maintain that advantage. The constant challenge (and joy) of marketing strategy is the interplay of innovation and imitation. Competitors watch one another keenly and are quick to copy any tactics that appear to offer significant advantage. No strategic advances last forever.

It is rarely difficult for firms to identify a short-term strategic advantage. Lowering price is an example of a tactic that quickly enhances a firm's attractiveness. Certainly, almost all consumers desire to pay less. However, in addition to reducing profits, a price decrease can be imitated almost immediately, which makes it a strategic option of limited value. Much more defensible are strategies that take time to copy (technological advances, Toyota's synergy drive, for example), are difficult to operationalize (Starbucks' customer service, for example), or are clearly "owned" by a firm as a result of pioneering or dint of promotion (Volvo's safety, for example).

2. Sustainable business

Sustainability is a system concept that recognizes the relationship of an entity with the system in which it exists – the firm within society and the ecology of the planet. Discussions of sustainability include economic, social, institutional, and environmental processes and effects. We loosely define sustainable business as operating in a way that could be maintained indefinitely without degrading the larger system. Specific criteria would be economic viability; fairness to the firm's stakeholders; and maintenance of the environment. Hargroves and Smith (Hargroves, 2005) identified some common principles of sustainability:

- dealing cautiously with risk, especially with perceived irreversibility;
- appreciation and value for nature;
- integration of environmental, social, and economic goals in planning ("triple bottom line");
- community participation in planning;
- conservation of biodiversity;
- concern for the equity of future generations;
- sensitivity to global effects;
- commitment to best practices;
- no net loss of human or natural assets;
- continuous improvement;
- good governance.

To this list, we would add wages, working conditions, and treatment of employees that assure an ongoing source of labor. Sustainable business practices, therefore, include but are not limited to making products from recycled materials or making them recyclable, using processes that do not degrade the environment, designing facilities to avoid permanent change to local eco-systems, and inclusion of communities, employees, suppliers, and resellers as partners in strategic planning.

3. Sustainability as marketing strategy

In light of the preceding definitions, we ask, "How can firms achieve competitive advantage by use of sustainable business practice as marketing strategy?" Or, "How can firms design marketing strategy around sustainability practices in order to gain competitive advantage?" The simple answer: To the extent that sustainable practices are desired by consumers, firms can use them as bases for marketing strategy if they can adopt them differentially and defensibly. (And, if not initially desired, to the extent that firms can make them desired.) On the other hand, strategic marketing questions are never simple. In fact, it is the nature of marketing strategy that simple answers are not of much value.

Porter (1996) emphasized the paradoxical relationship among the three criteria for effective stratetgy, highlighting the importance of *ambiguity* in strategic dimensions. Ambiguity can be reflected in the strategic direction, by which we mean the choice of dimension of change or movemenent along that dimension. For example, a firm may consider two strategic options – investing in the development of more energy efficient products or donating money to an environmental NGO. Which of those actions will have the more positive response from the market? We suspect that most firms believe there is clear demand for more efficiency but that a positive response to the donation is less clear.

The paradox of strategy is that if a strategic direction is unambiguous, it is not a good basis for strategy. If an action is clearly desired by the marketplace, it will clearly be more profitable, and all competitors will be highly motivated to move in that direction. As a result, the most clearly desirable directions rarely provide much long term advantage (difference and defensibility). *Strategic advantage is associated with directions which payoffs were ambiguous*.

Even when the optimal strategic direction is clear, *there is value if the operationalization of the strategy is ambiguous*. Some directions are clearly desirable, but competitors do not know how to implement the strategy. For example, although everyone recognizes the value of ease of use, Apple's iPod appears to have an advantage in ease of use that others have been unable to copy. And, Nordstrom has long enjoyed a competitive advantage in customer service that other retailers recognize but cannot reproduce.

For a number of reasons, sustainability-based strategic actions are especially ambiguous:

- S*ustainability often affects multiple stakeholders*, and what is good for one group is not so good for another. Strategic positioning on the basis of sustainability often involves balancing costs and benefits among multiple stakeholders. HSBC, the world's largest bank, illustrated success in dealing with multiple stakeholders. HSBC USA's executive vice president of corporate affairs, Linda Recupero, described their challenge: "We can't just send out a mass communication because it doesn't necessarily make sense with all the different things we're doing. We need ... to direct our communication to each of these groups". HSBC engaged in a multi-pronged environmental effort, including lobbying to regulators and government agencies, a green investing partnership with high profile NGOs, another partnership for conducting research into climate change, opportunities for employees to engage in research for these partnerships, retrofitting of branch offices, and developing and promoting green products, such as paperless checking, with some proceeds going to environment-related charities. (GreenBiz, 2007).
- *For sustainability practices, there are differences and uncertainties even about the desired direction*. Not all consumers agree that carbon emissions can or should be reduced. No one seems to know whether bags should be paper or plastic. Cloth or disposable diapers? Options that we thought were bad, such as nuclear energy, are now being reconsidered; and some new alternatives that we though were good, such as bio-diesel from corn, are already being doubted. Even global warming, with the tide of enthusiasm prompted by Gore's *An Inconvenient Truth*, is debatable, especially the role of human activity as a cause and a potential cure.
- *Sustainability gains often come at the expense of other dimensions.* Recycled content in products, for example, may reduce strength or durability. The recyclability of product parts may increase its price or costs to channel members. Some research shows that most consumers are unwilling to trade off explicit functional benefits for sustainability benefits (speed and size for fuel efficiency in cars, for example) (Devinney, 2006).
- *Consumer perceptions of sustainable business practices are based on more than just marketing* – "back room" functions, such as purchasing partners, operations, and the firm's philanthropy all come into play. Sustainable positioning requires that the firm become transparent, and all aspects of the business may be considered by consumers in their judgments of sustainability. Nike, for example, has been forced to include its off-shore production, its building and site design, its energy sources and use, its materials composition, its hiring practices, its employee benefits, etc., into its marketing campaign. Even if firms do not overtly communicate to the marketplace about these backroom practices, they must consider them carefully, in the knowledge that they may come under scrutiny in the marketplace.
- *Sustainable strategy often has multiple motives*. (1) One objective for sustainable business prac-

tices may be to position the firm in the eyes of the public. Just as firms use endorsers or associations with sports or the arts to enhance their equity, they may engage in various forms of sustainable business to enhnace their reputations. DANONE and Patagonia have benefited from public perception of their efforts in sustainability. Such positioning increases demand, with the aim of increasing unit sales or supporting price premiums. Wal-Mart, a firm with a very negative reputation for sustainability, showed the benefit of its recent efforts to reposition itself, when it took top honors for best reported performance on ethical dimensions (best improvement (GreenBiz, 2007)) as reported by Covalence, a Swiss ethics research firm. (2) As discussed below, however, the most common motive for sustainable practices is operational efficiency. A recent survey of leading multinational corporations showed the most common efforts in sustainability targeted lower energy use, reduced solid waste generation, and reduced air pollution (ClimateBiz, 2007). Because the market is vigilant in examining sustainability, however, even these operational tactics contribute to marketing positioning. (3) Another motive may be improving corporate culture. Starbucks, Ben & Jerry's, REI, and many other firms believe they are able to attract better applicants and achieve greater productivity because their employees support sustainability efforts. Further, some sustainability tactics, such as banning smoking and otherwise facilitating healthy living, have both direct effects (reduced losses to absence and lower insurance costs) and indirect effects (through corporate culture). (4) A fourth motive is charity, which often includes tactics that make the firm more sustainable but decrease profit. Charity, by definition, does not have ulterior (strategic) objectives. Although many firms may be reluctant to take public relations advantage of their philanthropy, because of the transparency of sustainable practices, firms should be cautious before concluding that any charitable actions are separable from marketing strategy. It is likely wiser to include the marketing implications into decisions about philanthropy. (5) A fifth motive is to influence regulation. Firms may attempt to avoid costly requirements or to establish standards for sustainable business practices by making voluntary moves toward sustainability. They may also support regulation requiring sustainability standards or regulation encouraging sustainability through taxation and reward/penalty sanctions/benefits. (Of course, firms may also attempt to influence regulation directly through lobbying or other political action.) (6) A final motive is to change consumers. One approach is developing an informed market, which would allow consumers to support sustainability efforts through their choices, on the basis of adequate information about externalities and the actions of firms. A more aggressive option is modifying consumer behavior in the direction of sustainability, actively shaping consumer demand, not merely providing information. Although it is generally more difficult to change the market than to react to it, firms that are differentially able to engage in certain sustainable practices could benefit from shaping demand to match their own proclivities. Fair Trade coffee retailers, for example, typically focus their promotion on information about the social value of Fair Trade. Compact fluorescent light bulbs, on the other hand, have not done well by advertizing their economic value and have turned to aggressive price support, coupons, and rebates, in an attempt to modify people's behavior (albeit with limited success, to date).

The multiple motives for sustainable practice contribute to various strategic challenges:

- Backlash to marketing – "greenwashing". Consumers may react badly if they believe firms' sustainability efforts are disingenuous. This concern may discourage firms from even sincere efforts. This challenge is especially problematic with respect to the "transparency" issue – firms may be reluctant to take sustainability steps in one direction for fear of being held accountable for failing to take steps on another.
- Unclear efficiency of corporate charity. It is debatable whether firms ought to make charitable donations and unclear if they are more efficient than individuals (Reason Magazine, 2005). Charitable actions may have postive public relations value but still be ineffective as social marketing efforts (or the reverse).
- Should firms make decisions for society about sustainability trade-offs? This is especially problematic when demand for a given sustainabilility action is uncertain and short-term profitability favors a less sustainable alternative. When the profit motive conflicts with a social responsibility motive, it is tempting for firms to shift the decision to the consumer. American auto manufacturers have been doing this for the past twenty years.
- Size of sustainability segment is uncertain. Social desirability biases may overstate how consumers will react to sustainability practices, making it difficult to estimate demand.

♦ Ability to change consumers. Can firms modify demand in sustainable directions?

4. Classification of marketing options

All these challenges for the use of sustainability as a basis for marketing strategy are also attractions. To the extent that the most desired sustainable action is ambiguous, firms that achieve it will have a more defensible advantage. The key is to anticipate the answers to the two uncertainties: What does the market favor? And, how can the firm satisfy that desire?

These two principles, ambiguity about the direction and ambiguity about operationalization can be combined to identify four categories of strategic action.

Table 1. The categories of strategic action

	Clear operationalization	Ambiguous operationalization
Clear direction	Type 1 No ambiguity for either direction or operationalization. The firm's desirable strategic direction is clear and the means to get there are clear.	Type 2 No ambiguity about direction, but ambiguous operationalization. For these dimensions, the firm knows where it would like to be, but the way to get there is unknown.
Ambiguous direction	Type 3 Ambiguity about the direction, but clear operationalization. The proper direction for these strategic dimensions is not clear, but, once a direction is chosen, the way to get there is straightforward.	Type 4 Ambiguous on both dimensions. For these strategic dimensions, the proper direction is unclear, and the way to move in that direction is also unclear.

Consider sustainable practices of each type.

Type 1: Many activities that firms refer to as sustainable practices are simply operational efficiency enhancements. Reductions in energy use, reduction in materials, reductions in waste produced, making use of former waste products – these are all clearly desirable (Brown, 2008)[1]. They either increase profits or lower prices. But, like other modern management practices, such as just-in-time-inventory, outsourcing, and mass customization, they are obvious and easy to copy. This is not to say that efficiencies are easy to achieve; if that were true, we should not have such large potential in this category. No, it is the direction of efficiency improvement that is easy to identify. All competitors quickly reach their productivity frontiers on these issues (the point where further investments do not produce marginal gains). Actions of this type rarely yield a strategic advantage. They may benefit the environment; but, as competitive measures, they are simply necessary to keep pace, and they rarely provide a long-term defensible difference. The exception is when a firm has a sufficient size advantage as to be able to accrue scale economy benefits related to efficiency improvements that are not available to smaller competitors. Some of Wal-Mart's recent moves in the direction of sustainability, for example, reduce costs for Wal-Mart but are too expensive to be justified by other retailers.

Type 2: An emerging segment of the US market, called Lifestyles of Health and Sustainability (LOHAS) demands its products and services are ecologically friendly. This segment is estimated to represent over $ 355 billion in US consumer purchases and over 55 million customers (Peterson, 2006). To serve this growing market segment, firms must ensure their products meet the LOHAS values of social and environmental responsibility. LOHAS represents market demand for various Type 2 sustainable practices. Firms know that these consumers express a desire for firms to operate more sustainably; but, how to do so is uncertain.

There is no doubt that there is and will be greater demand for fuel efficient cars. But, which fuel? Which design? What costs? Likewise, recyclability is in demand. But, recyclability requires distribution channel infrastructure and cooperation as well as promotion (e.g., Marcal Paper Mills has both a patented paper recycle process and a redistribution system to recover materials from its customers). Whatever strategic directions are most desired, they must also afford defensibility. Two general options are product development and integrated marketing solutions. Product designs take time to copy or may be patent protected. Multi-dimensional marketing strategy may be complex and difficult to copy.

Type 3: Strategic moves with uncertain direction and that are easy to copy offer little value. Firms should not incur the risk of moving in the wrong direction, if the move, should it be in the *right* direction, will not offer a durable advantage. Firms often attempt to position themselves by quick associations – financial contributions to, partnerships with, or endorsements from individuals or groups or promotional events – that have uncertain outcomes. Often these outcomes are of doubtful value (e.g., Krombacher Beer's "Save the Rainforest" and "Buy Red" promotions). But, even when they are effective, they can quickly be copied by other firms who establish similar endorsements or similar promotions.

Type 4: The market should reward most the bold moves that ultimately meet demand but were initially most uncertain. Sustainable practices that end up meeting latent or uncertain needs of the market-

[1] To emphasize the importance of Type 1 activities, Brown in *Plan B3.0: Mobilizing to Save Civilization* estimates potential energy savings today ranging from 12% for lighting to 42% for cement production (pp. 235-6).

place will be rewarded. Because of uncertain payoffs, similar moves by competitors are unlikely. And, if the practices are difficult to copy; the advantage will be long lasting. Such strategies are high in risk, due to the uncertainty both of the value of the end result and the method of achieving it; but, they offer potentially dramatic gains. The competition for alternative energy sources, for example, will result in "winners" who are currently investing heavily in research and development with highly uncertain outcomes. At present, we cannot say for certain to what extent consumers will opt for reductions in use, what the elasticity of demand is, or what new risks or tradeoffs will consumers accept.

5. An illustration of sustainability as marketing strategy

Burke (1998) argued that if we assume market demand, strategic competitive benefits can accrue to sustainability "first movers" in the following ways:

- consumers will pay a premium for sustainable products;
- firms can preempt critical sources of sustainable resources;
- firms can build switching costs for customers who adopt sustainable products/services;
- proactive firms influence the nature of subsequent sustainability regulations;
- firms can attract "social fund" investors who restrict investments to sustainability sensitive corporations.

For a firm to achieve and maintain these benefits, it must construct its value activities differently and defensibly relative to its "fast-follower" competitors. To illustrate the distinction between operational sustainability (Type 1 activities) and strategic sustainability (Type 2 and 4 activities), we introduce the value chain concept (Porter, 1985) and describe the Pura Vida Coffee Company (www.puravidacoffee.com).

Pura Vida is a coffee roaster that sells to individual and institutional customers throughout the US its slogan "Coffee that Creates Good", distinguishes its benefit from competitors. Its mission identifies the "good" it creates and the consumer need it serves:

- *provide living wages for farmers and producers* through the sale of Fair Trade, organic, shade-grown coffee;
- *educate and motivate consumers* to take action towards social good;
- *inspire business leaders* to replicate our model by sharing what we have learned;
- and ultimately *serve and empower at-risk children and families* in coffee-growing countries.

Consumers benefit from the satisfaction in knowing their specialty coffee purchase is helping needy families and children where the coffee is grown and that the coffee harvesting is ecologically sustainable. For institutional food service companies, Pura Vida helps to encourage customers to increase coffee consumption (and thus sales) and to support the food service company's image of social commitment and innovation. Pura Vida's position as a coffee roaster is desirable, different and, as described below, defensible. Pura Vida's practices are *Type 2*. What its customers value is and was clear, but the method for delivering that value was ambiguous. The primary and support activities that deliver Pura Vida's customer value are presented in the exhibit following the description.

Pura Vida has succeeded with a marketing strategy focused on sustainability. Its success lies in a complex operationalization that competitors cannot match. Because Pura Vida's strategy is inherent in all aspects of its value activities, competitors cannot make simple changes to imitate its success.

5.1. Pura Vida's Value Activities. (See Table 2) *5.1.1. Infrastructure.* Pura Vida has a unique capital structure – a for-profit company that is charitably owned (by Pura Vida Partners (PVP), a non-religious, non-sectarian 501(c) (3) organization), ensuring that profits will be used for philanthropic purposes. This structure provides management flexibility, access to low-cost capital, and superior consultation and oversight. Its for-profit structure encourages vigorous competition with all coffee roasters. It has the flexibility to choose markets, products and trade-offs in pursuit of competitive advantages. It also allows financing from multiple debt or equity instruments. From its structure and charitable mission, PVP has developed a hybrid debt/equity instrument. Investors are guaranteed a near-market rate of return on $ 250,000 notes for a fixed number of years. On maturity, investors receive the principle with interest and are given the right to exercise an equity option entitling them a *pro rata* share of future distributed income, provided that they donated their 'equity' stake to a qualified non-profit organization of their own choosing. All PVP members are investors in Pura Vida Coffee. They also serve as directors to Pura Vida and provide expert business consultation (from their own successful business experience) and operational oversight (audit and management review).

5.1.2. Marketing. Pura Vida integrates its mission and operations within its marketing initiatives. Its core target market is institutional food vendors who serve colleges, churches and company cafeterias. Pura Vida augments its high quality, organic, fair trade coffee with an authentic social justice commitment that has value to its institutional food service vendors. These vendors, with Pura Vida as its flagship coffee brand, help their customers to demonstrate social responsibility to employees, students and stakeholders. Pura Vida provides print and video point of sale material (café counter displays) to report success of social initiatives. On occasion, it will support campus or corporate events by providing fair trade coffee farmers and Pura Vida executives to raise awareness of relevant social causes. An example of Pura Vida's customer value is its role in acquiring the coffee service account of the US congress for its client, Compass Group. Pura Vida's commitment to Fair Trade and social justice was instrumental in securing the account.

Though Pura Vida's marketing is aligned to best serve institutional accounts, it maintains a strong retail presence through its internet site (www.puravidacoffee.com). Consumers can choose from various coffee roasts and package sizes and, more importantly, consumers are engaged with Pura Vida's stories of saving at risk children that encourage charitable contributions and continued loyalty.

5.1.3. Human Resource Management. Pura Vida recruits and motivates employees through its social justice mission. University students frequently volunteer for promotion events and occasionally business executives provide pro-bono services. By combining motivated employees and volunteers, Pura Vida gains effective and efficient labor that less social mission driven competitors find difficult to achieve.

5.1.4. Procurement. Pura Vida holds a favored position with its fair trade supplier association, Cooperative Coffees. Its social mission, reputation for superior quality and market size help to ensure a preferred member status. Furthermore, its "feet-in-the-street" involvement in social services in coffee regions results in a side benefit of knowledge of regional bean and harvest characteristics. Such intimate knowledge and buying power improves raw bean purchasing, which comprises as much as 30% of Pura Vida's production costs. To offset its lack of buying power with ancillary suppliers (e.g., packaging and paper products), it partners with its industrial customers (e.g., Compass Group) to leverage their scale and knowledge.

5.1.5. Other value activities. Pura Vida focuses its investments in activities that leverage its social responsibility mission. In other necessary activities, it has chosen to minimize investment and control costs. Information technology, logistics and production (coffee roasting and packaging) are sourced to suppliers who have better scale efficiencies and expertise. Much of its internet applications have been managed by Amazon and it contracts its roasting and fulfillment services to two specialty roasters located to serve either west or east coast customers. Though these are independent suppliers to Pura Vida, these vendors are pleased and motivated by Pura Vida's mission. Its roaster, Dillano's Coffee, and Amazon have made substantial pro-bono service and financial contributions to Pura Vida.

5.1.6. Value chain summary. The following table, based upon Michael Porter's value chain concept, diagrams Pura Vida's unique activities and sourced activities. It depicts the trade-offs between direct control and sourcing and the integration of sustainable strategy to achieve superior market performance.

Table 2. Pura Vida value chain (Austin, 2002)[1]

Infrastructure	Non-profit board; unique debt equity; closely held narrow mission; flat structure; no capital assets; board directors involved in business consulting and selling.				
H.R.	Employees are motivated by service mission; strong community ties; managed volunteer services; employees' values aligned with customer values.				
Technology	Outsourced to specialized providers; technology services donated on *pro bono* basis.				
Purchasing	100% Fair Trade, organic, and shade grown; strong relations with regional suppliers; priority service received due to social service and ecological mission.				
Value chain activities	Inbound	Operation	Outbound	Mktg and sales	Service
	Outsourced; ensure organic handling.	Outsourced; only Arabica beans; QC at source and at roaster; PV designed special blends.	Internet consumer fulfillment; outsourced commercial; recycled pkg.	Branded message throughout all media points; customer involvement in benefit; senior execs involved in selling; quality POS merchandizing.	Quick personal response to internet consumers; strong relations with commercial accounts.

Discussion and conclusion

The Pura Vida Coffee Company is a firm that has achieved competitive advantage by offering an authentic promise of social and ecological stewardship to its customers. Pura Vida has integrated its value activities, primarily its marketing, purchasing, human resources and infrastructure to deliver unique customer benefit. It receives a market premium for its benefit and minimizes its non-value added costs to ensure above aver-

[1] Derived From Austin (2002) and interviews with Pura Vida Executives.

age returns. Because of its narrow focus and tight integration, competitors are unlikely to imitate its value offering. Pura Vida's strategic position is consistent with a "Type 2" category. The social welfare benefit is clear, but the operationalization is ambiguous, relying on integration across functions and risky innovations.

Pura Vida is an example of an entrepreneurial company that built its business and brand to reflect clear sustainable values. It is questionable if larger competitors can achieve such success with sustainable strategies since they are encumbered with traditional business models that face trade offs between short term profits and sustainability (Howard, 2008). However there are anecdotal examples of large organizations pursuing innovative sustainable strategies, albeit, at the business unit rather than corporate level. For instance, Clorox purchased Burt's Bees as the cornerstone of its "green initiative" product line and supply chain strategy. L'Oreal's purchase of Body Shop and Colgate-Palmolive's purchase of Tom's of Maine were based on similar sustainability strategies (Storey, 2008). Whether these acquisitions can lead to "Type 2" competitive advantage or merely "Type 3" corporate associations is uncertain.

Two important points, in conclusion: (1) sustainable business is not charity (although charity may be an important aspect of a sustainable business marketing strategy); (2) sustainable business practices that improve operating efficiency are not likely a good basis for marketing strategy. (They would be so only if they are difficult to copy.) In general, sustainable business can provide an excellent basis for marketing strategy. But, as for any successful strategy, the results must be desirable, differentiating, and defensible. Other than technology developments or product designs that might be difficult to copy, sustainable marketing strategy will not result from simple, replicable tactics. More generally, it will involve systematic and interrelated changes throughout the firm's value chain.

References

1. Austin, J., and Grossman, Allan (2002), 'Pura Vida Case Study', *Harvard Business School Cases*, 9-303-051.
2. Brown, L. (2008), *Plan B3.0: Mobilizing to Save Civilization.* W.W. Norton and Co., New York, 23rd ed., pp. 235-236.
3. Burke, C. (1998), 'Stockholder Value Through Environmental Actions: A Competitive Advantage Perspective', *Annual Research 1998 American Society for Competitiveness Conference*, Boston, Massachusetts, October.
4. Christiansen, L. and Pierce, Ellen (2006), 'Teaching Ethics, CSR and Sustainability: Trends Among the Top 50 Global Business Schools', *Sustainable Enterprise Quarterly*, Center for Sustainable Enterprise, Kenan-Flagler business School, University of North Carolina, Vol. 3, No. 1.
5. ClimateBiz (2007), 'Climate Change expected to One Day top European Corporate Agenda', available at: http://www.climatebiz.com/
6. Devinney, Timothy, Patrice Auger, Giana Eckhardt, and Thomas Birtchnell (2006), 'The Other CSR', *Stanford Social Innovation Review* (30-36).
7. GreenBiz (2007), 'HSBC and Others Talk about Green Communications', available at: http://greenbiz.com/
8. GreenBiz (2007), 'Wal-Mart, Coca-Cola, and HP Improve Ethical Reputations', available at: http://greenbiz.com/
9. Hargroves, K. and Smith, M. (Eds.), *The Natural Advantage of Nations: Business Opportunities, Innovation and Governance in the 21st Century.* Earthscan/James & James, USA, 2005.
10. Howard, Laura, ' How Sustainable is Sustainability in a For-Profit Organization?', *Harvard Business School Working Knowledge*, February 1, 2008.
11. Peterson, Eric (2006), 'Who's Changing Whom', *LOHAS Journal.*
12. Porter, Michael (1985), *Competitive Advantage*, The Free Press, p. 47.
13. Porter, Michael (1996), 'What is Strategy?', *Harvard Business Review*, Nov.-Dec. pp. 61-78.
14. Reason Magazine (2005), 'Rethinking the Social Responsibility of Business: a Reason Debate Featuring Milton Friedman, Whole Foods' John McKey, and Cypress Semiconductor's T. J. Rodgers', October.
15. Storey, Louise (2008), 'Can Burt's Bees Turn Clorox Green?', *New York Times*, Jan. 6.