Building sustainability into services marketing: expanding decision-making from a mix to a matrix

Alan A. Pomering  
*University of Wollongong, alanp@uow.edu.au*

Elias Kyriazis  
*University of Wollongong, kelias@uow.edu.au*

Lester W. Johnson  
*Swinburne University of Technology*

Publication Details

Building sustainability into services marketing: expanding decision-making from a mix to a matrix

Abstract
In line with the AMA’s revised (2007) definition of marketing, which aligns with the societal marketing orientation by requiring that Marketing create value not just for individual consumers and organisations but also for society at large, this paper proposes a Sustainability Services Marketing (SSM) framework. At present, services marketing managers have little guidance on how to pursue sustainability and achieve sustainable development goals. The SSM addresses this gap in a systematic, holistic and transparent way by ensuring sustainability cascades through the strategic marketing planning process. The traditional services marketing mix is expanded to include partnership, and the eight elements are cross-referenced against the three pillars of the triple bottom line - Planet, People and Profit - to produce the Sustainability Services Marketing Matrix (SSMM). The model is described and illustrated with brief case examples, and implications for theory and practice, and potential directions for further research are discussed.

Disciplines
Business

Publication Details

This conference paper is available at Research Online: http://ro.uow.edu.au/buspapers/926
Building Sustainability into Services Marketing: 
Expanding Decision-Making from a Mix to a Matrix

Alan Pomering, University of Wollongong, alanp@uow.edu.au
Elias Kyriazis, University of Wollongong, kelias@uow.edu.au
Lester W Johnson, Swinburne University, Melbourne and 
Charles Sturt University*, Bathurst, lwjohnson@swin.edu.au

Abstract
In line with the AMA’s revised (2007) definition of marketing, which aligns with the societal marketing orientation by requiring that Marketing create value not just for individual consumers and organisations but also for society at large, this paper proposes a Sustainability Services Marketing (SSM) framework. At present, services marketing managers have little guidance on how to pursue sustainability and achieve sustainable development goals. The SSM addresses this gap in a systematic, holistic and transparent way by ensuring sustainability cascades through the strategic marketing planning process. The traditional services marketing mix is expanded to include partnership, and the eight elements are cross-referenced against the three pillars of the triple bottom line - Planet, People and Profit - to produce the Sustainability Services Marketing Matrix (SSMM). The model is described and illustrated with brief case examples, and implications for theory and practice, and potential directions for further research are discussed.

Keywords: Services marketing, Sustainability Services Marketing, Sustainability Services Marketing Matrix, sustainable development, triple bottom line
Track: Services Marketing

1.0 Introduction

The need for sustainable development, built upon more responsible production and consumption, was recognised by the Brundtland Commission of 1987 (World Commission on Environment and Development, 1987). On the production side, however, a sustainability-oriented focus across corporate functions is rare, and decreasing, according to a recent survey of 711 sustainability executives from Business for Social Responsibility (BSR) member companies (Coulter, 2013). This is despite evidence that a greater alignment between business and societal objectives can improve profitability (Porter and Kramer, 2006, 2011), and sustainability-led innovation can add to the triple bottom line (TBL) enhancing the environment and society, and driving long-term profitability (Seebode et al., 2012). Several valuable marketing texts have recently emerged (Belz and Peattie, 2009; Martin and Schouten, 2012), respectively, but for a services marketing manager wishing to engage with the issues of sustainability, there is little extant guidance for how to go about this (Crittenden et al., 2011).

Marketing in the service business context has radically changed over recent decades. In 2007, the American Marketing Association acknowledged this, expanding its view of the discipline’s role as going beyond the dyad of creating customer value and achieving organisational objectives reflecting an earlier notion of the societal marketing concept (Kotler and Levy, 1969; Lazer, 1969) in marketing philosophy. Marketing, it has been argued, needs to reinvent itself to be environmentally responsible (Kotler, 2011). This revised definition of Marketing is a part of the discipline’s reinvention, embracing the creation of societal value.
The purpose of this paper is, therefore, to better equip the services marketing manager in driving enhanced sustainability through the marketing function. We contribute to the services marketing literature by inductively developing a conceptual framework for *Sustainability Services Marketing* (SSM). With sustainability included in the organisational mission and strategic goals, a key element of SSM is to broaden the service marketing manager’s decision-making capabilities in order to effect sustainability at the operational level. This is achieved by recognising the need for internal and external sustainability collaboration (that is, through *Partnership*) and expanding the notion of the services marketing mix (Booms and Bitner, 1981) by cross-referencing the mix’s, now, 8 *Ps* with the TBL’s pillars of *Planet, People* and *Profit*. The result is the *Sustainability Services Marketing Matrix* (SSMM). We illustrate how this framework might be applied in practice with examples of service firms’ sustainability-oriented decision-making in areas specified by the matrix. The SSM provides a sustainability audit tool and assists sustainability performance being planned in a systematic, holistic and transparent manner across the service firm’s operations, achieving strategic sustainability goals and objectives, and providing enhanced value to customers and the firm, and also society at large.

2.0  Sustainability in Services

Today’s business managers struggle with aligning corporate and customer objectives with broader environmental and societal goals. Even when sustainability’s importance is acknowledged as a priority by firms, companies are not taking a proactive approach to sustainability management (Berns et al., 2009; McKinsey & Company, 2010). It is argued that mainstream marketing management theory, research, and practice offers little to equip companies and managers to deal with sustainability expectations are the rule rather than the exception (Crittenden et al., 2011). Consumers increasingly report considering the environment when they shop (e.g. Cone Communications, 2013). Absent higher levels of sustainability in marketing cannot engender higher levels of responsible consumption. Further, a proactive sustainability performance is argued to: increase profitability; provide a point of differentiation and innovation around sustainability; and deliver first-mover advantage (Porter and Kramer, 2006). Services marketing managers need to proceed in a way that delivers TBL benefits in a systematic and transparent way that will not inspire cynicism or accusations of disingenuousness or *green-washing*. Managers may be unsure of how to make a business case for a proactive sustainability approach to senior management. The case examples we cite highlight that value creation through service delivery might be enhanced through greater sustainability performance. A proactive approach to sustainability is important for addressing stakeholder concerns and positioning a firm as responsible, and concerned with not only delivering value to individual consumers but to society at large. The proposed SSM framework provides service marketing managers clear guidance for achieving sustainability proactively.

3.0  The Sustainability Services Marketing Framework

We take an inductive approach to the development of the proposed SSM framework, intuitively working from the position that sustainability must be on the service firm’s agenda at each step of the strategic planning process; an omission from any one step will prevent its consideration in those steps to follow. Bridges and Wilhelm (2008, p. 34) argue marketing education in relation to sustainability requires a “consideration of environmental and social issues in all elements of marketing strategy planning, from objective setting to target market selection to strategic and tactical decisions regarding each of the marketing mix variables”.

1007 | ANZMAC 2014 Proceedings
Holistic planning and strategic decision-making is the first of four sustainable development principles (WCED, 1987). Through the strategic planning process, value for consumers, the organisation and, importantly, for society at large is created. Our SSM framework therefore propose that sustainability should initially be a consideration in the service firm’s vision and/or mission in order to signal what it wants to achieve in the larger environment (Kotler et al., 2007).

Stakeholders guided by the invisible hand (Kotler et al., 2007) of the sustainability-oriented mission include the organisation’s employees and customers, the service’s participants, and external stakeholders, such as supply-chain members and the community. The futuristic view of the mission then cascades into the organisation’s goal and objective setting, wherein sustainability issues, outcomes and impacts must also be considered. Goals and objectives must include sustainability aspirations, stated in terms of key sustainability performance indicators (KSPIs). The strategy level of the planning process involves the planning and coordination of service marketing resources and integration of the services marketing mix to deliver the value sought by customers and the organisation, and externalities of benefit to society at large.

The services marketing mix accounts for how the service offering is produced, priced, distributed, promoted, and how its participants (that is, the organisation’s personnel and its customers), processes, and its physical surroundings are managed (Booms and Bitner, 1981). However, as the services marketing mix decisions produce value, they simultaneously create harm (Polonsky et al.2003; Porter and Kramer, 2006). The SSM framework proposed here assists the services marketing manager in minimising the impacts of his or her service harm chain (Polonsky et al.2003), which should coincidentally create value for society at large and the service organisation (e.g., via reduced operating costs), and potentially increase value for customers. In a services marketing framework designed to create value for individual consumers, the organisation, and society at large, the operational decision-making must take into consideration and propose value for each of these actors. The logical way to achieve this, after articulating sustainability at each planning stage, in line with the recommendation of Bridges and Wilhelm (2008), is by referring each of the services marketing mix elements to the three pillars of the TBL. As a result, services marketing will be coordinated based on a matrix of considerations, with each marketing mix element required to account for its interactions with and impacts on Planet, People and (long-term) Profitability. The matrix cells should address how each marketing element: (i) makes optimal use of environmental resources that constitute a key element in the business’s development, maintaining essential ecological processes and helping to conserve natural heritage and biodiversity (Planet); (ii) respects the socio-cultural fabric of communities, conserving their built and living cultural heritage and traditional values, and contributes to inter-personal understanding and tolerance (People); and (iii) ensures viable, long-term economic operations, providing socio-economic benefits to all stakeholders that are fairly distributed, including stable employment and income-earning opportunities and social services to communities, contributing to the development of communities’ social capacity (Profit).

The services marketing mix (Booms and Bitner, 1981), a mnemonic device of seven Ps that expands on McCarthy’s (1960) marketing mix of four Ps, details the activities the services marketing manager needs to consider to achieve the organisation’s desired market offering, and includes: product, price, promotion, place, people, process, and physical evidence. Taken alone, however, these activities: (a) do not stress the need for consideration of the sustainability impacts of marketing decisions; (b) do not provide the manager much
guidance on how a service firm might alter the way things are done in an effort to address the sustainable development challenge; (c) do not review the way harm is created as a by-product of value creation along the service delivery supply chain; (d) do not ensure that services are designed, delivered and promoted with optimal resource use and minimal negative externalities affecting social and physical environments; (e) do not ensure that service delivery pricing is based on environmental full-cost accounting; (f) do not provide the basis for a narrative to communicate to stakeholders as to how the firm is responding to the sustainable development challenge; (g) do not escalate the importance of collaborating with other institutional actors to achieve key sustainability performance indicators; and (h) do not ensure that employees, customers and other stakeholders are included in and encouraged to support the firm’s drive toward greater sustainability. These challenges are addressed through the SSMM, where the service’s product, price, promotion, place, participants (note: participants, which was originally used by Booms and Bitner (1981), is used to avoid confusion with People in the TBL), process, and physical evidence.

We also expand on the generally accepted services marketing mix. To Booms and Bitner’s (1981) seven elements we argue is critically important for the service firm’s sustainability performance to include an eighth “P” element, Partnership. Many of the issues involved in moving from an unsustainable ‘business as usual’ approach and achieving greater sustainability performance across service operations necessitates collaborations with external actors, often as parts of networks, even actors traditionally viewed as competitors, in coopetition. Partnership might also be conceptualised as involving internal as well as external actors. Employees and customers, for example, might be primarily considered as participants, but might be moved along a brand-support continuum from mere compliance with the firm’s requests or requirements (for example, the request to re-use bath towels in many accommodation firms, or the requirement to travel to an event by public transport rather than private vehicle) to proactively support a firm’s sustainability initiatives (for example, by recommending the firm to members of one’s social network, or even transferring sustainability practices learned from the firm to one’s daily living).

These, now eight, ‘services marketing mix’ elements cross-reference the three pillars of the TBL to provide a sustainability-relevant services marketing framework for operationalising sustainability as part of SSM, which we refer to as the Sustainability Services Marketing Matrix (SSMM), as shown below (Figure 1). In Figure 1, the questions of how each of the eight services marketing decision areas interact with the three elements of the TBL is partially shown, and would be continued accordingly in each of the remaining cells. In the next section we will elaborate on the marketing mix elements in Figure 1, as their interpretations might vary when considered in the sustainability context, and we add service firm examples across a range of sectors to illustrate how the framework might be applied in practice.

<p>| | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>
Figure 1: The Sustainability Services Marketing Matrix (SSMM)

4.0 The Sustainability Services Marketing Matrix

The firm’s service offering, and its environmental and social footprint, will vary across service sectors and service type classifications, for example, its level of tangibility (Bateson, 1979). As one example of how the service product can be more environmentally sustainable, consider Pinehurst No. 2 golf course, which hosted the 2014 US Open. During a recent restoration of the course, around 40 acres of Bermuda grass was removed, allowing the course to use roughly 40% of the water it did previously, the need to mow less grass, and use less fertiliser. The course also uses moisture meters, allowing it to further save on water usage when it is not required (United States Golf Association, 2014).

Price: The cost to the consumer for the firm’s service may not include the cost to the environment or society at large of impacts of the service delivery. Often, the cost to public goods is simply not factored into the firm’s cost calculation, or a price that does include such costs might be offered to consumers on a voluntary opt-in basis. Airlines offering passengers the option to carbon-offset their flight by paying a supplementary fee is one opt-in example.

Promotion: The mix of marketing communication methods might move away from print and toward electronic, and/or ensure that brand messages are transparent and ethical, and demonstrate respect for community members.

Place: The distribution or delivery systems of service firms are changing, often disruptively change, as illustrated by the internet’s impact on information, education and entertainment services, e.g. MOOCs offering alternatives to physical presence, and digitally-available music recordings and films.

Process: The procedures and flow of activities that describe how the service is assembled and delivered, offers considerable scope for sustainability improvement, often with immediate effect. One example is Duke Energy’s use of a sustainability filter to revise its method of starting up a natural-gas fired combustion turbine plant, saving fuel use, time and carbon emissions, and resulting in the development of a new start-up calculator that improved efficiency and saved $2m in just six months at one turbine station (Hopkins, 2011). IKEA’s early 2014 purchase of the Hoopestown wind farm, able to generate nearly 1.5 times the energy needed to operate all of the store’s U.S. operations, will reduce its carbon footprint as it does business (Meany, 2014). Facebook, Google, and WalMart are also investing heavily in renewable energy (Meany, 2014).

Physical evidence: The tangible clues that assist consumers’ evaluations of products include elements of the servicescape, such as design and furnishing, employee appearance and communications. WalMart, the world’s largest retailer, is striving for 100% renewable energy to power its operations, and planned to generate solar energy at more than 130 of its Californian stores by 2012. The installation of photovoltaic cells on WalMart rooftops is a clear signal to stakeholders of the store’s renewable energy drive. San Francisco’s quest to have zero waste by 2020 is a process change that will have an
impact on the city’s physical evidence (Katz, 2014). Participants (used instead of people, as it was the term originally used by Booms and Bitner (1980) and it avoids confusion with the People pillar of the TBL) that is, the firm’s employees and customers in the service environment, play a part in service delivery and influence buyer perceptions (Zeithaml, et al., 2006). Participants highlights the role of both human resource and customer management, as key ingredients in service delivery. Employees should be committed to the sustainability ethos, and could contribute to innovation processes aimed at continuous sustainability performance improvement. Customers would be expected to participate in the firm’s pursuit of a more sustainable performance, but also, as might employees, become ambassadors for the brand or transfer learned sustainability practices to their daily lives. Customers might become service-logic innovators to capitalise on innovation as part of an overall firm strategy (Michel, Brown and Gallan, 2008). Open-source software development provides a model for how customer involvement might drive enhanced sustainability achievement. Well-managed employee and customer suggestion systems offer a similar opportunity. The concept of participants is also important from the perspective of service-dominant logic (Vargo and Lusch, 2004; 2008), as the focus of service interactions is shifted from value-in-exchange to value co-creation.

Partnership: For business, environmental issues are typically the province of outsiders and specialists (Porter and van der Linde, 1995). External expertise could be needed for services marketing managers to subject their decisions to life-cycle analysis, a scientific management tool for clarifying the inputs and outputs of processes and their effects on the environment (van der Vorst, Grafé-Buckens and Sheate, 1999), and for sustainability-service innovation. Partnership will significantly influence process, as well as the service product, and draws on recent advances in service science and bring a systems view to service design that draws on ideas from service management, design and engineering (Alter, 2008; Maglio and Spohrer, 2008). Collaboration with sustainability-enablers will be necessary to depart from ‘business as usual’. ‘Trailblazing’ banks are supporting renewable energy projects with significant funding in order to stimulate meaningful volumes in the marketplace (Hering, 2014). Harvard University Graduate School of Design’s 2012 joint launch of Envision, a holistic framework for evaluating and rating the community, environmental and economic benefits of all types and sizes of infrastructure projects helps ensure that civil engineers and planners do not miss opportunities to make a project more sustainable (Clark, 2014). Sustainability mavens often serve as beacons to others keen to follow suit: SAP extending free sustainability lessons to other businesses, based on its own experience, is one example (Weinreb, 2014). Service firms also benefit from third-party partners’ endorsements, for example, Rainforest Alliance, Fair Trade, White Swan and Fair Trade.

5.0 Discussion

Services marketing managers require a far more detailed consideration of sustainability issues as they interact with operational decisions. Our inductive framework is designed to deliver transparency and positive brand attitudes and stakeholder engagement. The examples provided illustrate just a few of the myriad ways services marketing managers might embrace sustainability across the SSMM, building upon our extended marketing mix that now includes the important element of Partnership. Consumers and other stakeholders are now looking to business to be more pro-social and pro-environmental, and demonstrating these in tangible, evidence-based ways. Sustainability offers firms the opportunity for differentiation from competitors, a competitive advantage based on innovation, and increased profits (Porter and Kramer, 2006), but it needs to be systematic, evidence-based and
transparent. The services marketing planning framework proposed here, a key part of which is the Sustainability Services Marketing Matrix, will help firms achieve these conditions. Further research might seek to apply the framework to individual service brands as empirical case studies.

References


