

**The Role of sustainable Marketing in company's Strategy
A case study of Toyota Motor Corporation****BENCHEIKH Meriem ^{1♦}, DJAFAR Hamza ²**¹ University of Setif 1, Algeria, bencheikh.meryem@gmail.com² University of Setif 1, Algeria, djafarhamza@gmail.com**Received: 17-10-2017****Accepted: 20-04-2019****Published: 31-05-2019****Abstract:**

This study aims to find out the role of sustainable marketing in company's Strategy, A case study of Toyota Motor Corporation. Sustainable marketing calls for socially and environmentally responsible actions that meet the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs.

The study concluded that sustainable marketing has a significant role in Toyota Motor Corporation strategy and it brings added value to this company. Most important benefits of the sustainable marketing according to this study are its positive effect to the company differentiation from the competitors and that way gain competitive advantage.

Keywords: Sustainable marketing, Company Strategy, Competitive advantage.

JEL Classification: M31

1. Introduction:

The global warming, the high level of pollution and global climate change has affected the behavior of consumers and companies. Due to the environmental concerns companies and consumer has started to rise interest for the eco-friendly products, products that do not pollute the environment. Companies demonstrate their environmental concern in different ways; sustainable marketing is one of the tools used by companies for informing the consumers that they are working in an environmental friendly way.

Sustainable marketing is quickly becoming a global trend. Many companies have taken it as a part of their strategy. This makes it important to define, which role sustainable marketing actually has in company's strategy.

The question of the present study is the following:

- What is the role of the sustainable marketing in company's strategy?

The problem definition will be addressed by answering the sub-questions below:

- What is sustainable marketing?

- What are the reasons that drive firms to transact sustainable marketing?

- How do companies choose their sustainable marketing strategy?

- How sustainable marketing can bring added value to the Toyota Motor Corporation

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1.1 Study Hypotheses:

In order to answer these questions, the following hypotheses have been formulated:

- **Hypothesis n°1:** sustainable marketing is important part of the strategy and brings certain benefits to companies.
- **Hypothesis n°2:** sustainable marketing provides competitive advantage for Toyota Motor Corporation.

1.2 Study Objectives:

The present study aims to achieve the following objectives:

- To introduce the terms and concepts of sustainable marketing;
- To examine some of the reason that companies are adopting a sustainable marketing
- To understand the strategies of sustainable marketing.
- To study the vital role of the sustainable marketing in Toyota Motor Corporation strategy.

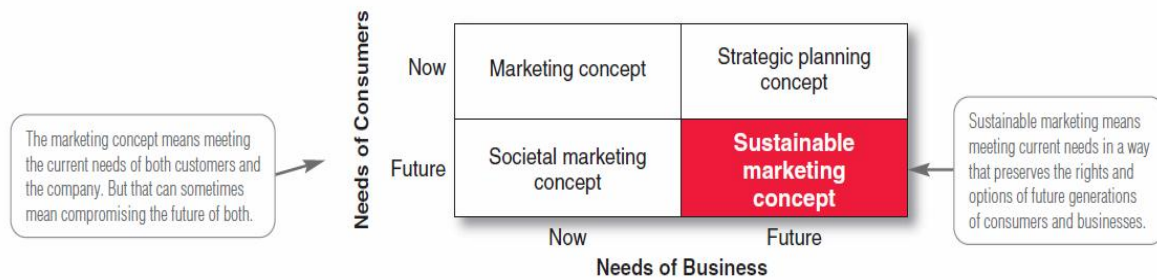
2. Theoretical Framework

2. 1 Definition of sustainable marketing

Defining sustainable marketing is not a simple task, there is no single or official definition accepted universally and authors interpret the concept differently. Therefore, we will go over definitions by several authors in order to establish a definition for this study.

- **The American Marketing Association** defined sustainable marketing as “the marketing of products that are presumed to be environmentally safe”¹.
- **Ken PEATTIE** defined it as: “The holistic management process responsible for identifying, anticipating and satisfying the needs of customers and society, in a profitable and sustainable way”².
- **Polonsky** defined it as: “consisting of all activities designed to generate and facilitate any exchanges intended to satisfy human needs, such that the satisfaction of these needs and wants occurs, with minimal detrimental impact on the natural environment”³.
- **Mintu & Lozada** have defined sustainable marketing as “ the application of marketing tools to facilitate exchanges that satisfy organizational and individual goals in such a way that the preservation, protection, and conservation of the physical environment is upheld”⁴
- **Fuller** describes sustainable marketing as: “the process of planning, implementing, and controlling the development, pricing, promotion, and distribution of products in a manner that satisfies the following three categories: (1) customer needs are met, (2) organizational goals are attained, and (3) the process is compatible with ecosystems”⁵.
- **Emery** defines sustainable marketing as : “a holistic approach whose aim is to ensure that marketing strategies and tactics are specifically designed to secure a socially equitable, environmentally friendly and economically fair and viable business for the benefit of current and future generations of customers, employees and society as a whole”⁶.
- **Philip Kotler** defined it as: “Socially and environmentally responsible marketing that meets the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs”⁷. **(Figure.1)**

Figure.1 compares the sustainable marketing concept with marketing



Source: Philip Kotler, Gary Armstrong, **Principles of marketing**, 14 edition, Pearson, New jersey, 2010, p.583

Figure.1 compares the sustainable Marketing concepts with marketing concepts. The *marketing concept* recognizes that organizations thrive from day to day by determining the current needs and wants of target group customers and fulfilling those needs and wants more effectively and efficiently than competitors do. It focuses on meeting the company's short-term sales, growth, and profit needs by giving customers what they want now. However, satisfying consumers' immediate needs and desires doesn't always serve the future best interests of either customers or the business.

As we have seen, there are multiple definitions of sustainable marketing. Each definition represents the point of view of the researcher or the economist that has implemented it, which make it hard to give sustainable marketing one specific definition. However, we can summarize all the previous in one definition: sustainable marketing is the building and maintaining sustainable relationship with customers, the social environment and the natural environment.

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2.2 Reasons for Adoption of sustainable Marketing by the companies

There are basically five reasons for which a marketer should go for the adoption of sustainable marketing. They are:

✓ Opportunities

As people are becoming more concerned for the environment, the benefits of adopting sustainable marketing are increasing. Companies that have adopted sustainable marketing into their corporate strategy can enjoy sustainable competitive advantage over the companies who are marketing non-environmentally responsible alternatives. Also, first-movers that adopt sustainable marketing improve their image by reacting to market incentives instead of government regulations.

✓ Social responsibility

Many companies are beginning to realize that they are members of the wider community and therefore must behave in an environmentally responsible fashion. This translates into firms that believe they must achieve environmental objectives as well as profit related

objectives. This results in environmental issues being integrated into the firm's corporate culture. Firms in this situation can take two perspectives⁸:

- 1- They can use the fact that they are environmentally responsible as a marketing tool; or
- 2- They can become responsible without promoting this fact.

✓ **Governmental pressure**

Governmental regulations relating to environmental marketing are designed to protect consumers in several ways⁹:

- 1- Reduce production of harmful goods or byproducts;
- 2- Modify consumer and industry's use and/or consumption of harmful goods; or
- 3- Ensure that all types of consumers have the ability to evaluate the environmental composition of goods.

Governments establish regulations designed to control the amount of hazardous wastes produced by firms. Many by-products of production are controlled through the issuing of various environmental licenses, thus modifying organizational behavior. In some cases governments try to "induce" final consumers to become more responsible.

✓ **Competitive pressure**

Another major force in the sustainable marketing area has been firms' desire to maintain their competitive position. In many cases firms observe competitors promoting their environmental behaviors and attempt to emulate this behavior. In some instances this competitive pressure has caused an entire industry to modify and thus reduce its detrimental environmental behavior.

✓ **Cost or profit issues**

Companies may also use sustainable marketing in an attempt to address cost or profit related issues. Disposing of environmentally harmful by-products, such as polychlorinated biphenyl (PCB) contaminated oil are becoming increasingly costly and in some cases difficult. Therefore firms that can reduce harmful wastes may incur substantial cost savings. When attempting to minimize waste, firms are often forced to re-examine their production processes. In these cases they often develop more effective production processes that not only reduce waste, but reduce the need for some raw materials. This serves as a double cost savings, since both waste and raw material are reduced.

The last way in which cost or profit issues may affect firms' environmental marketing activities is that new industries may be developed. This can occur in two ways¹⁰:

- 1- A firm develops a technology for reducing waste and sells it to other firms;
- 2- A waste recycling or removal industry develops.

2.3 Sustainable Marketing Mix

The 4 Ps of sustainable marketing is same as that of the traditional marketing. The only difference is that it is mixed with three additional Ps, namely People, Planet and Profit. The combination of 4 sustainable P's or sustainable factors (Eco-friendly) is known as sustainable Marketing Mix namely sustainable product, sustainable Price, sustainable Place and sustainable promotion.

2.3.1 Sustainable Product

The products have to be developed depending on the needs of the customers who prefer environment friendly products. Products can be made from recycled materials or from used goods. Efficient products not only save water, energy and money, but also minimize the detrimental effect on environment. Products will be more environmentally friendly if they are manufactured in the way that they can be¹¹:

- 1- Repaired: A modular design approach and good after-sales service provision can make repairing products cost effective and extend their useful life.
- 2- Reconditioned. In the automotive market a wide range of reconditioned parts, from tyres to engines, can be purchased.
- 3- Reused: The average dairy milk bottle is used 12 times.
- 4- Recycled: Products ranging from beer cans to BMWs are now designed to be more recyclable.
- 5-Re-manufactured: Kodak collects over 50 million single-use cameras each year from 20 countries for re-manufacturing.

2.3.2 Sustainable price

Sustainable pricing takes into consideration the people, planet and profit in a way that takes care of the health of employees and communities and ensures efficient productivity. Value can be added to it by changing its appearance, functionality and through customization, etc.¹²

2.3.3 Sustainable place

Sustainable distribution includes two internal and external aspects. By internal aspect we mean the internal environment of the corporation that must be a place in which managers and employees have a sense of tranquility besides observing the environmental issues in internal processes of the corporation and the proportionality between the internal space and the intended product. Thus customers are attracted to it due to good behavior of employees and the agreeable space. By external aspect we mean places for offering the products and services which have the least harm for the environment.¹³

2.3.4 Sustainable promotion

The key to successful sustainable marketing communications is credibility. Never overstate environmental claims or establish unrealistic expectations, and communicate simply through sources that people trust. Larger corporations may run major advertising and public relations campaigns to promote their commitment to environmental improvement, but promotion on this scale is not essential. Sustainable marketers reinforce their environmental credibility by using sustainable marketing and communications tools and practices. Examples include¹⁴:

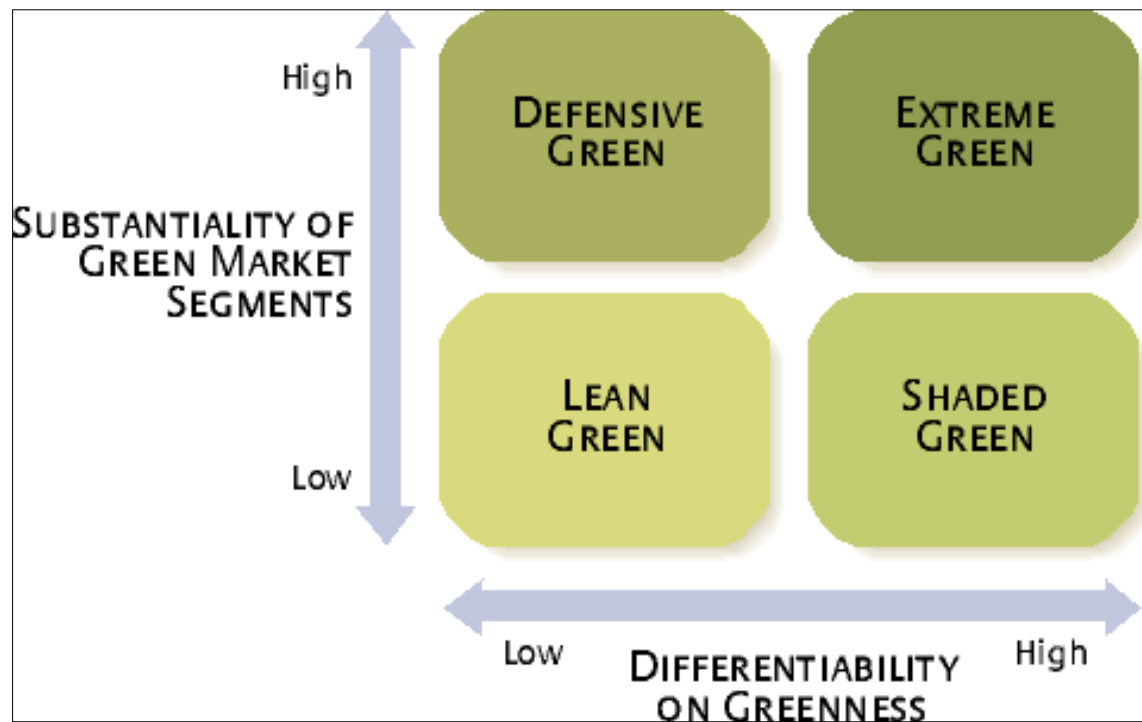
- Providing electronic statements or billing by e-mail;
- Offering downloadable publications to reduce print quantities and paper usage;
- Printing on recycled materials using processes such as waterless printing;
- Eliminating unnecessary packaging;
- Offering Webcasting as an alternative to live events to reduce representatives' travel.

2.4 Sustainable marketing strategies

The goal of sustainable marketing strategy is changed to attain competitive advantage through a position that is desirable, different and defensible, and not only helps in competitive advantage but also opens door for cost saving and innovation. It is rightly that companies cannot stay for longer in the market if they will not become truly sustainable.

Ginsberg & Bloom have listed four different strategies to integrate sustainable marketing to the current marketing plan. These are lean green, defensive green, shaded green and extreme green (Figure 2). Company can select one of these depending on its business model and environment.

Figure 2: sustainable marketing strategies matrix



Source: Kaufmann, Hans-Ruediger, **Handbook of Research on Consumerism in Business and Marketing**, GI Global, 2014, p.101

✓ **Lean green:** Companies using the Lean Green strategy try to be good corporate citizens but they are not focused on publicizing or marketing their sustainable initiatives instead these companies try to reduce costs and improve efficiencies through environmentally friendly activities creating a lower-cost competitive advantage not a sustainable one. These companies want to follow the rules and regulations, but do not expect to see substantial money to be made from the sustainable market segments. Lean Green companies are usually uncertain about promoting their sustainable activities and the sustainable product attributes for fear of being held to a higher standard¹⁵. The companies are afraid of not being able to live up to its claims or differentiate themselves from competitors.

✓ **Defensive green:** This strategy uses sustainable marketing in response to a crisis, as a precautionary measure, or a response to actions made by competitors. Defensive greens have identified green market segments as important consumers that they cannot afford to alienate and will attempt to mitigate damage and enhance brand image. They do not spend

resources on aggressive promotion of greenness as this would create expectations that they cannot meet, unless it would yield a sustainable competitive advantage¹⁶.

✓ **Shaded green:** Shaded Green companies focus on having long-term, system wide, environmentally friendly processes that require both significant financial and nonfinancial commitment. Shaded Green companies see sustainable activities as an opportunity to create innovative needs-satisfying products and technologies. From this the shaded green companies hope to achieve a competitive advantage. These companies usually have the power and capability to differentiate themselves on greenness, but instead they choose to profit from highlighting other attributes. These attributes are usually the direct, tangible benefits provided to the customers¹⁷. This type of promotion is most efficient when promoting products that have the ability to help the consumer save on recurring costs, such as energy, fuel and electricity.

✓ **Extreme green** Companies using extreme green as a marketing strategy are embodied with holistic philosophies and values. In these companies the environmental issues and responsibility are fully incorporated into the business and product life-cycle processes. Their practices include life-cycle pricing approaches, total-quality environmental management and the manufacturing for the environment. Companies that use extreme green as a marketing strategy mostly serve niche markets and sell their products or services through boutique stores or specialty channels.¹⁸

3. Empirical study

This part forms the empirical part of the study, which is based on the case of Toyota Motor Corporation and we choose this company because it was the first brand to introduce an ecological car with the Prius which was at the time the first Hybrid car in the world. Today this one is the only familial car giving to the buyer the opportunity to drive ecologically.

The data of the company will help us to answer the question for this study: How important is sustainable marketing for company's strategy?

3.1 History of Toyota

Toyota Motor Corporation is a Japanese automotive manufacturer headquartered in Toyota, Japan. The company was founded by Kiichiro Toyoda in 1937, as a spinoff from his father's company Toyota Industries to create automobiles.

During the company's first seven years in business, Toyota sold only about 1500 cars. It did, however, have more success selling trucks. Toyota's operations grew when the Japanese government mandated all automakers had to be majority-owned and controlled by Japanese citizens. This effectively ended the importation of US vehicles into Japan.

With the outbreak of World War II, Toyota was required to focus all its efforts on military production. And after the war ended, the United States government allowed Toyota to begin making vehicles again in Occupied Japan. Toyota releases the toyopet –its first affordable car for the masses. in 1947. Toyota sold more than 100 000 Toy pets in its first year of production¹⁹.

- ✓ In 1957, Toyota was the first Japanese brand ever to export a car to the American market. Two years later, the firm opened its first plant abroad, in Brazil.
- ✓ In 1976, Toyota became the first nondomestic automaker to sell more than 100 000 units in a single year.
- ✓ In 1984, Toyota sold 800 000 vehicles in the United States, and in 1986 Toyota opened its first U S Factory in Georgetown. That same year, Toyota sold one million vehicles, earning a 10 percent share of the domestic market. Most of the vehicles sold were imports.

In 2007, Toyota recorded almost \$200 billion in sales with an operating margin of more than 9 percent. Toyota now has the production capacity to manufacture about two million vehicles per year at its four U.S. manufacturing facilities, with the newest being a green fields manufacturing facility built in Mississippi.²⁰

Today, Toyota is one of the world's best-known and most successful businesses, building cars and trucks in 26 countries for sale in more than 160 markets around the globe. Worldwide production was 10.285 million in 2014²¹.

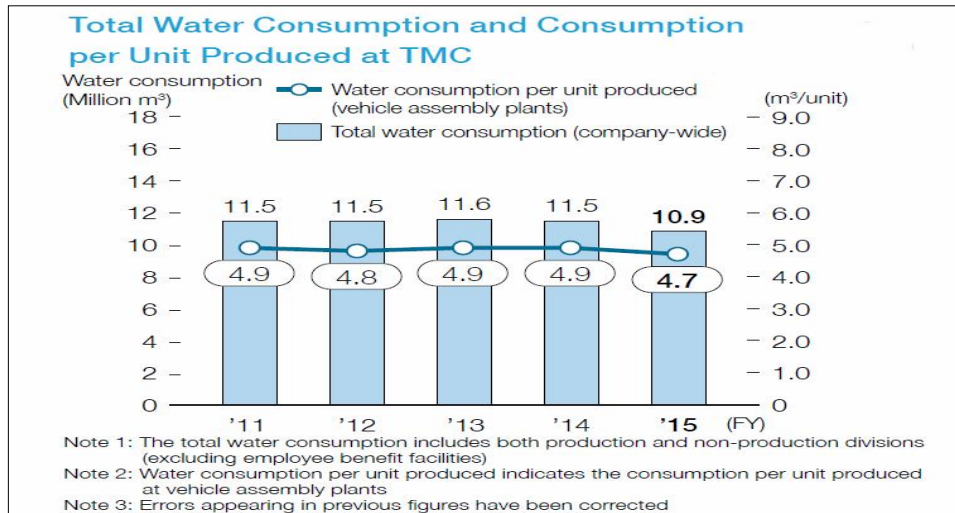
3.2 Ecology and Commitment within the company

Toyota considers as very important to communicate about the environmental issues. The communications are addressed to the stakeholders, the staff, the directors, the partners, and the consumers... any person involved in the life of a vehicle. The aim is to raise awareness among all these persons. Toyota provides general information about all the environmental issues. The environmental management inside Toyota is based on these issues: saving water, avoiding waste, and reducing CO2 emissions.

3.2.1 Saving water

You need water to produce a car, it is inevitable. Large quantities of water are therefore used in the automotive industry. However, Toyota Motor Corporation continued activities to reduce water consumption in FY2015, such as, reducing steam usage in production processes. As a result, total water consumption was 10.9 million m³ (a decrease of 5.1 percent from FY2014). Water consumption per unit produced was 4.7 m³, a decrease of 4.2 percent from FY2014²². **(Figure 3)**

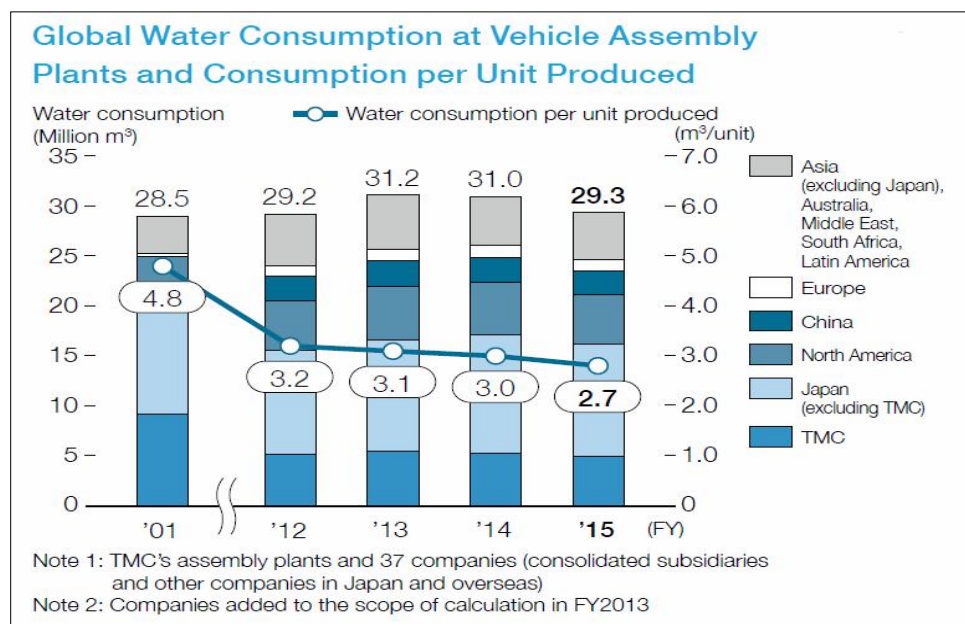
Figure 3: Total Water consumption and consumption per Unit Produced at Toyota



Source: Toyota Motor Corporation. Environmental Report - Toward the Toyota Environmental Challenge 2050 . Environmental Affairs Division. 2016. P.25.

On the global level, Toyota is engaging in steady water conservation activities in response to the situation with the water environment in each country and region. As a result of initiatives including promotion of water recycling particularly in regions with scarce water resources, total water consumption in FY2015 was 29.3 million m³ (a decrease of 5.4 percent from FY2014) and water consumption per vehicle unit produced was 2.7 m³ (a decrease of 9.0 percent from FY2014). (figure4)

Figure 4: Global Water consumption and consumption per Unit Produced at Toyota



Source: Toyota Motor Corporation. Environmental Report - Toward the Toyota Environmental Challenge 2050 . Environmental Affairs Division. 2016. P.25.

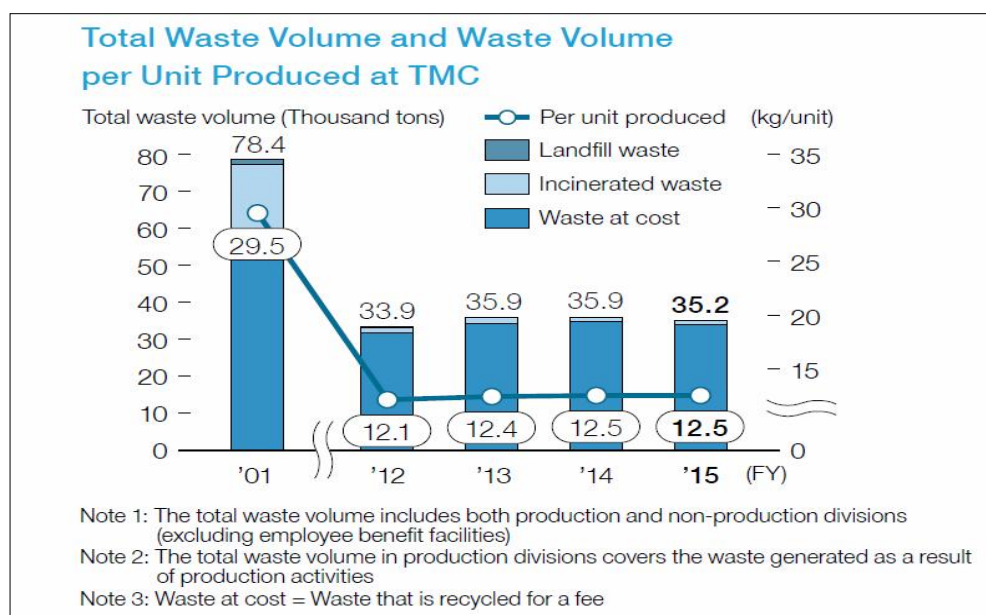
3.2.2 Recycling

Recycling is very important for Toyota. The brand even establishes a recycling committee in 1990. Toyota has always tried to make easily recyclable cars. The recycling activities take into consideration the whole life cycle of the vehicle.

- Development: the design of the vehicles is made to facilitate the dismantlement of the vehicle. Moreover, materials are developed to be easy to recycle.
- Production: the waste generated is kept to a minimum. Recycling technologies are developed for all kind of materials.
- Use: systems to collect and recycle bumpers or other spare parts are established. Toyota dealers also promote the reuse of automobile parts.
- Disposal: efficient dismantlement technologies are used and the shredder residue is used as raw material.

In FY2015, Toyota Motor Corporation (TMC) continued implementing waste reduction measures such as reducing industrial dust and sludge volume. The total waste volume was 35,200 tons (a decrease of 2.0 percent from FY2014), and the waste volume per unit produced was 12.5 kg (a decrease of 0.1percent from FY2014). (**Figure 5**)

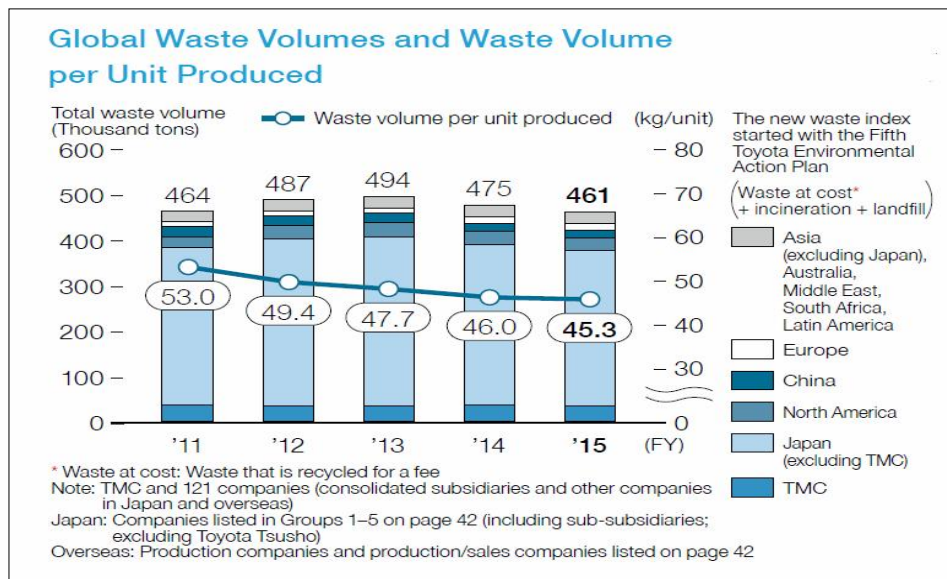
Figure 5: Total Waste Volume and Waste volume per Unit produced at Toyota



Source: Toyota Motor Corporation. Environmental Report - Toward the Toyota Environmental Challenge 2050 . Environmental Affairs Division. 2016. P.31.

On the global level, Toyota is engaging in ongoing waste reduction activities, in coordination with diligent cost cutting. As a result, in FY2015, the total volume of waste was 461,000 tons (a decrease of 3.1 percent from FY2014) and waste volume per unit produced was 45.3 kg (a decrease of 1.4 percent from FY2014). (**Figure 6**)

Figure 6: Total Waste Volume and Waste volume per Unit produced at Toyota



Source: Toyota Motor Corporation. Environmental Report - Toward the Toyota Environmental Challenge 2050 . Environmental Affairs Division. 2016. P.31.

3.2.3 Emissions

Toyota Motor Corporation (TMC) has been working on reducing its CO₂ emissions, setting targets for both of production sites and nonproduction sites such as offices.

In FY2015, the promotion of steam less process and the implementation of energy-saving activities resulted in annual CO₂ emissions of 1.15 million tons (a decrease of 45 from FY1990 level), and a figure of 0.408 tons for CO₂ emissions per unit produced (a decrease of 44 percent from FY2001).²³

In order to achieve Toyota's global five-year plan targets, Toyota is promoting reduction of CO₂ emissions, with the adoption of innovative technologies at the launch of new plants and production lines. On the new production lines at STM (Thailand) and GTE (China), measures have been taken to simplify and rationalize, while ongoing initiatives to convert to steamless and airless processes are also in progress at existing plants. As a result, in FY2015 the annual CO₂ emissions were 7.57 million tons (a decrease of 2.8 percent from FY2014), and the CO₂ emissions per unit produced were 0.744 tons (a decrease of 1.2 percent from FY2014).²⁴

3.3 Sustainable Marketing in Toyota Company Strategy

Toyota Motor Corporation develops cars that are fuel efficient, which mainly comprises of hybrid cars. For instance, the Prius car model developed by the company consumes less fuel and as a result, has minimal emissions to the environment. Toyota Motor Corporation makes use of this strategy, normally referred to as Enviropreneurial marketing, as an opportunity to develop their business advantage, rather than perceiving environmental responsibility as an impediment to business operations. This strategy is a proactive approach, in the sense that the company is always trying to stay abreast concerning competition. As a result, Toyota Motor Corporation uses this approach to establish innovative and technological developments, which in turn facilitates the company to capitalize on eco-friendly automobiles.

Toyota Company uses its highly environmental performance as a way to differentiate from the competitors and that way gain competitive advantage. That is one of the company's main drivers to sustainable marketing.

3.4 Results

The study has reached the following conclusions:

- ✓ Toyota Motor Corporation feel strongly concern about the environment and do a lot of efforts in planning the strategy and the adaptation of methods and processes, in order to act in a more environment friendly way.
- ✓ Toyota try to improve the production and to as ecological as it can. The implication to be environmental friendly is really strong for Toyota.
- ✓ There is an application of sustainable marketing by Toyota with its Prius. This car is the only ecological car that proposes a good size and rejects few CO₂
- ✓ For Toyota sustainable marketing has a significant role in company's strategy, and it is seen to be central in transforming the company to meet the future needs of the markets.

4. Conclusion

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