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Marketing Sustainable Retail Development

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Abstract.

One of the primary benefits of sustainable retail over the long run has to be the marketing gain from having something other competitors do not: lower operating costs, a more socially responsible public profile, ease of gaining planning approval for new projects, better access to certain investment pools, higher rents (in the case of developers), ease of recruiting and retaining key people. Each of these benefits needs marketing and public relations support; each benefits from a clear and consistent corporate message that promotes sustainable retail.

To date, there are very few retailers or developers who have championed sustainability long enough, consistently enough and with enough actual demonstration of changes in standard operations to gain the benefits of green marketing, but the very paucity of examples serves to underscore the point: the green marketing space is wide open for large retailers and developers.

What would be the marketing steps that a company could take to benefit from its “sustainability focus?” The key to any marketing program is to differentiate a company’s actions from those of competitors and to do it along lines that its various stakeholders care about. This practice of differentiation is often expressed as “finding a difference that makes a difference, to someone who makes difference to you.”

For retail developers, the first differentiator should be to attract more and better tenants to all of their centers, tenants who value lower operating costs and the developer’s program of sustainable development and corporate social responsibility.

Keywords: marketing, sustainable retail, environmental protection, development

JEL Codes: Q56, L81, O12

1. Understanding sustainable retail organizations

Sustainable retail organizations are a work in progress. There are few companies to which one can point and say, “They have the perfect program.” But one thing is clear: Without a commitment to get started, an organization will see itself lagging farther behind with each passing year. Without being competitive in the marketplace for “good people”, especially in the mature economies, it is almost impossible to grow revenues and profits on a consistent basis over the long haul. We might have our own “save the Earth” reasons for wanting to promote sustainability, but the most important reason is permanent need for balance between economy, environmental protection and equity concerns.

There are many ways that retail developers and retailers can create a meaningful sustainability program. A developer’s detailed approach needs to be different from that of a retail store operator, yet common themes emerge in each program. In this paper, we provide a framework for corporate sustainability efforts in the retail sector. The five common themes among the programs highlighted in this paper are these: CEO leadership, internal and external communications, knowledge management, education and training, and corporate operations (walking the talk). These common themes contribute



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to the achievements of all retail sustainability programs and also underpin the successful approaches taken in other business sectors.

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CEO leadership: is essential to any sustainability program. Without top-level leadership, nothing much happens beyond the operational adjustments that many firms are making to respond to higher energy prices and the greater focus of local governments on green building issues. Particularly in this time of retrenchment in the development industry, it is important for employees and stakeholders to know that the CEO regards sustainability as essential to the organization’s future and that they should be paying attention to this initiative.

Communications: if a tree falls in a forest and there’s no one around to hear it, did it make a sound? If the CEO wants to rapidly transform the organization toward sustainable ends, will anyone notice without an active and effective communications program? So the second facet of this pentagonal program comprises internal and external communications plans, programs, strategies and tactics. (see fig. 1)



Fig. 1: Corporate sustainability programs

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All of the companies have been active at getting their employee-associates committed to the program and equally adept in getting external recognition for their sustainable achievements, especially through awards programs, sustainability reporting schemes and green building certifications. Internal and external communications need to reinforce a company's commitment to green design and sustainable practices. At the beginning, it can be hard on the marketing staff to tell the company's story because they may not really know what it is. As a result, an early activity should be to develop coherent statements about its approach to sustainable design, construction and operations, with a compelling story about commitment, process and achievements. Once a company makes a strong commitment to communicating its interest in and commitment to sustainability, it's amazing how many opportunities arise to present them to current and prospective tenants, public officials and other key stakeholders. People inside the organization are also eager to hear this message, so it's important that the company use all internal communication avenues, with frequent postings of interesting news and links about sustainability in general, as well as the ongoing story of the company's actual achievements.

Education and training: the third facet has to do with developing the skills, knowledge and aptitude for sustainability inside the organization, through a strong commitment to education and training of employees. In the case of the retail developers we've profiled, each company has a point person responsible for the success of its sustainability initiatives.

Extensive training may also be required in the development group, when a retailer or developer commits to a specific green building certification program. Beyond training to get stores built, there's also the issue of operating them correctly. We have also found that when store managers and others engaged in store operations understand and appreciate that the company is building healthier and more efficient workplaces, they can effectively communicate the benefits of green building to all employees, which in turn, helps them to communicate to the customer base.

Knowledge management: the fourth facet of the sustainability program requires the organization to be determined from the beginning to capture the lessons learned, as a developer, for example, through its attempts to build certified centers and to create green operations programs for existing centers. The organization needs to capture cost data and determine which of its existing design teams, contractors and vendors are most cooperative and knowledgeable about sustainability issues.

For a retail store builder and operator, the ENERGY STAR program in the U.S., EPBD in the EU, LEED, BREEAM and Green Star programs offer clear opportunities for objective evaluations of achievements in store design and operations. In this case, capturing cost and performance data from various green building measures, such as weather-controlled irrigation systems, green roofs, offers opportunities to learn from each project and develop a new prototype store that will perform at a much higher environmental level. Many larger firms have hired sustainability coordinators, managers and directors in the past few years, people whose main job is to maintain all of the information flowing through the firm about green products, green specifications, green design methods, new building systems and similar items. Often these people have technical backgrounds, but sometimes they do not. One key aspect of knowledge management is capturing the lessons learned from each project, whether or not the firm decides on a LEED certification. Some firms keep a LEED scorecard internally and ask both internal and external design teams to prepare documentation, so that they can judge how well the company is doing in its commitment to sustainable design. That way, it becomes easier to move the entire firm along and to present to management the cost and performance implications of their proposed project. In a large company, of course, this process can also set off a healthy internal competition between, for example,



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different regions of a large developer to be the most sustainable design group, or between different design consultants for a large retailer. The key with knowledge management is to capture the institutional learning, so that future projects can benefit from new technologies, systems or products or document mistakes on current projects that can be corrected in the future.

Corporate operations: finally, the company needs to “green” its own operations. This includes such activities as engaging employees in “personal sustainability” projects, reducing overall fuel use, buying carbon offsets for travel (or reducing it through video conferencing and other means), implementing environmentally preferable purchasing (EPP) programs, supporting employee car sharing and public transit use and a host of other programs that show a strong corporate commitment to sustainability.

Typical sustainable operations involve such areas as recycling, transit subsidies, purchasing policies, and analyzing overall use of paper products, green housekeeping and using the office as a laboratory for practices that can be brought to clients’ projects. More adventurous firms also have begun contributing their new expertise to the community by serving on advisory boards and commissions, getting involved with local schools and similar activities. But a company can always do even more, if the corporate leadership and senior staff are fully committed. For example, look at what one 80-person design firm, SERA Architects in Portland, Oregon, has done [1]. Through a commitment to the “Natural Step” principles for sustainability, beginning in 1997, the firm engaged in a decade-long internal study of how to make their own operations conform to these principles. The Natural Step framework encourages dialogue, consensus-building and systems thinking (which are all key processes of organizational learning) and creates the conditions for profound change to occur. From a business perspective, the Natural Step framework enables corporations to intelligently, and profitably, integrate environmental considerations into strategic decisions and daily operations.

Briefly stated, the Natural Step “system conditions” ask four key questions:

- Can the earth replace what I take in the form of resources?
- Am I poisoning the earth, water or air with my activities?
- Do I respect the biodiversity of flora and fauna, with both my project work and my daily activities?
- Are the choices I make fair and equitable—in other words, does everyone benefit from them?

Taken seriously, these seemingly innocuous questions can cause a revolution at any company. Beginning in 2003, SERA Architects created an action plan that encompassed nine major areas: energy, chemicals, materials use, travel, paper, food, furniture/finishes/equipment, the firm’s design library and human resources.

Choosing to pick the “low hanging fruit” made the actions more understandable to the firm’s staff and led to early “wins” that encouraged the process to continue.

As a result, SERA matured as a sustainable design firm and began to win new business [2].

Interface, Inc. is the world’s largest manufacturer of modular carpet. After ten years of applied sustainable thinking on the part of the entire organization, Founder and Chairman Ray C. Anderson stated the business case for sustainable corporate operations simply, profoundly and forcefully [3]:

Costs are down, not up, dispelling a myth and exposing the false choice between the economy and the environment; products are the best they have ever been, because sustainable design has provided an unexpected wellspring of innovation; people are galvanized around a shared higher purpose; better people are applying, the best people are staying and working with a purpose; the goodwill in the



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marketplace generated by our focus on sustainability far exceeds that which any amount of advertising or marketing expenditure could have generated—this company believes it has found a better way to a bigger and more legitimate profit—a better business model.

2. The long-term benefit

Sometimes, in the daily busy-ness of our business, we forget that the real purpose of our sustainability programs is to bring about a better world for ourselves and for our descendants. We forget how many people we influence through what we say, what we do and what we say about what we do. People need sustainability education, and the retail developer and retailer are in unique positions to provide this information and perspective for their customers. Crispin Burridge, head of sustainable construction at Marks & Spencer, puts the opportunity in these terms:

“We’ve got approximately 35,000 product lines and, as you cascade down, there are 2,500 factories, approximately 20,000 farms and 250,000 workers directly involved in producing those 35,000 product lines. We have about 75,000 employees and we see 20 million customers a week. You can imagine that if you could shift even 1% of all of those people, move their hearts and minds and the way that they run their own lives, the scope of influence is quite large.”

Creating a sustainability program: one of the hallmarks of corporate sustainability in the retail sector is that it keeps evolving rapidly. What worked two years ago to keep a company at the leading edge is no longer seen that way today. But there are certain core principles and activities that must be addressed in any sustainability program. Here is one example from a consulting client of Yudelson Associates, Edens & Avant, a midsize developer of grocery-anchored shopping centers, primarily focused on the Eastern Seaboard of the U.S., from Massachusetts to Florida. Led by President Jodie McLean, the in-house corporate task force engaged all corporate departments in a wide-ranging.

Each functional area presents specific and usually distinct operations issues for sustainability planning. Each requires communication both within and outside the organization, something that typically engages the skills of a corporate marketing group.

As ideas are tried out, it’s important to start gathering lessons learned into a coherent framework. This information would typically be collected by both the development staff and the center or retail store operations staff; it needs to be “normalized” to apply to all future activities, for example by putting cost data into a coherent format that recognizes changing building costs over time and in multiple regions.

Finally, employees need a continuing education program. In the case of Edens & Avant, there is a commitment to having about 5% of the staff becomes formally certified as LEED Accredited Professionals. Other key people in the organization will look for similar accreditations in their fields of specialization.

Sustainable retail organizations are a work in progress. There are few companies to which one can point and say, “They have the perfect program.” But one thing is clear: Without a commitment to get started, an organization will see itself lagging farther behind with each passing year.

Without being competitive in the marketplace for good people, especially in the mature economies, it is almost impossible to grow revenues and profits on a consistent basis over the long haul. You might have your own “save the earth” reasons for wanting to promote sustainability, but the underlying reason must be to remain a competitive enterprise, as sustainability always balances economy, ecology and equity concerns, the triple bottom line.



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3. Key marketing steps for sustainable retail

Differentiation: differentiation is an approach to marketing strategy that takes decisions regarding segmentation, targeting and positioning variables and focuses them on particular markets. This approach must be coupled with a specific project type: geographic (urban versus suburban); greenfield versus renovation/refurbishment; or other focus.

Differentiation is the primary marketing approach recommended by most experts. The main green building differentiators for developers and retail store operators are:

- Successful certified LEED, BREEAM, Green Star or ENERGY STAR projects.
- Demonstrated corporate commitment to sustainability, through participation in accepted reporting organizations such as the Global Reporting Initiative.
- Reduction in the company's carbon footprint by a significant amount each year.
- For a developer, the demonstrated ability to deliver green retail projects on conventional budgets so that rents are competitive, but operating costs are lower.

A developer or retail operator usually needs to show high levels of attainment on several of these key variables to secure recognition for being a leader in sustainability in highly competitive situations.

Developers can find one or more approaches on this list that will successfully differentiate their services over a three- to six-year period in the green development business industry. Research shows that the leading companies are particularly adept at using differentiation strategies such as advertising, public relations, new visual identities and attracting key people. Improving or evolving the company's services typically takes place over the course of several green building projects.

Become a low-cost provider of green retail stores: given the tight budgets of many building projects and competitive environment in most urban areas, the ability of developers and retailers to compete on price is a valuable asset. These costs may be based on prior project experience, accurate product knowledge, good research, local or state incentives or a willingness to pay to get the experience. Low cost of operations does not necessarily mean low profitability; instead, it gives a company more flexibility to negotiate profitable green building projects, even in a very competitive environment.

For example, the ability to be creative with green building value engineering for energy and water savings, along with high levels of indoor air quality, might help an engineering company to create far more valuable green buildings for the same cost as a more conventional company. For example, David De Vos at Kohl's cites the benefits of rapid learning about cost management that occurred by putting dozens of new stores through the LEED for Retail Volume Certification program in a relatively short period of time.

Low-cost advantages might be even more sustainable than branding as a way to compete in the marketplace, but most companies do not have the discipline to operate in this fashion. A good example of the competitive advantage of lower cost of operations is the almost unblemished success record of Southwest Airlines. For Southwest, the low prices made possible by lower operating costs have become



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the primary brand, along with fun. Southwest has been profitable almost every year since 1972, a record unmatched in the airline industry. Southwest succeeds by being very focused on their point-to-point routes, not trying to be all things to all people, but offering simple air transportation to budget-conscious business and leisure travelers [4]. This approach may not work for every developer or retailer, but neither should it be dismissed out of hand.

Focused differentiation: when embarking on a program of focused differentiation, remember that existing tenants or retail consumers already know your company and appreciate its strengths.

Communicating a new message about green building or sustainability should not be at the expense of these relationships; instead, it needs to reinforce current perceptions of the developer or retailer as a cost-conscious, schedule-conscious, customer-focused organization. Key relationship managers need to be detailed to meet with existing tenants, for example, and explain how the new people were hired, the newly accredited LEED professionals and the new green development focus of the development will benefit them. In turn, this requirement implies a need for strong internal communications before embarking on new green building marketing initiatives, so that everyone inside the organization understands how to communicate the benefits of the new direction.

The essence of marketing wisdom lies in knowing which markets to compete in and which to ignore, which customers a company wants to keep and which it does not. Without proper focus, a developer often will try to serve too many potential tenants, at the expense of not securing the tenants it really wants. To derive an effective strategy, marketers need to combine a laser-like focus on market segments and key targets within those segments, with either low cost or differentiation. Points of focused differentiation can include:

- Regional versus national focus. Many developers operate regionally and only in certain project size ranges or by trying to dominate a local niche. Firms that are focused locally are often able to compete against much larger national firms or else to team with them on larger projects where there is room for more than one developer.

- Building or project types (or vertical markets) such as enclosed malls, lifestyle centers and big-box retail stores. These building types might be good candidates for energy efficiency investments, particularly in states or in utility service areas with significant incentives for energy upgrades. Therefore, a green developer can identify such project sites, make energy-efficient or zero-carbon operations a major marketing focus and direct most of its communications to that aspect of their business.

- Signature green measures, such as green roofs, that a developer or retailer commits to bring into play on each project. While it can be risky for developers and retailers to always bring certain technologies to their projects, it is more dangerous not to be known for anything in particular.

Branding a company in the green building arena with specific technology solutions for particular building types and sizes can be an effective marketing measure, allowing such companies to secure other marketing and public relations benefits, as well as providing political cover against antidevelopment forces.

Project size can also be a focus, allowing smaller developers, for example, to compete with larger and more capable competitors. An example might be a focus on maintenance and operations costs for existing centers, allowing one to accurately judge how much they can be cut and then to use that as a marketing tool for prospective tenants.

A particular method of differentiation lies in the ability of a shopping center developer or retailer to develop a particular approach to sustainability and then “put a box around it,” label it and claim that label for itself. For example, a commitment to zero-net carbon development or retailing could eventually



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translate into “Planet Friendly” or “Net Zero” labels. A major commitment to solar power at all centers could lead a developer to claim that they are the “Solar Center.” A developer focused on existing properties could pursue a LEED for Existing Buildings Operations and Maintenance certification for each center (this is easier for an enclosed mall) and then develop a claim that it is the only “Eco Center.”

Build a brand image: in today’s commercial world, the fifth major task is to create a brand that incorporates the key differences in a developer or retailer that make a difference in the mind of a tenant or consumer. A retailer and consumer electronics company like Apple might want to be thought of as a leading-edge designer and technology company or as dominating a large product category (such as Nike), to broaden its market appeal but at the same time sharply defining itself to consumers who value that experience or approach.

To understand the branding opportunity, consider the following statement: “All marketers are liars” [5]. One way to read this statement is to understand that businesses are all creating stories about projects, capabilities, values and interests for themselves and their customers on a regular basis. The story about the green development project or green building is already manifesting in the minds of all project participants, readers of new stories about the project and the general client base (“It’s only a LEED Silver project, what’s the big deal?”). And it will continue to be permuted, just like a message in the parlor game of Rumor, if you don’t proactively shape it. Therefore, you must tell a story about your project:

If it is significantly different from the contractor’s experience and the architect’s experience and the occupant’s experience, then one of you is a liar! The point is that green building branding is best done when it is a story about project successes and lessons learned.

The essence of a brand is incorporated in how you deliver your services, in your company’s personality and core values (which in turn determine who you hire and who you encourage to seek another place to work), your culture (collaborative or confrontational, or something in between) and all the promises you want your client to believe (for example, clear and frequent communications on each project and the highest level of expertise and technological competence). A brand is something that creates a strong personal and professional relationship between your staff and the client’s staff, to build loyalty and lasting relationships.

The marketing benefits of branding are multiple. It can shorten the decision cycle of a client and reduce your cost of marketing. If you’re always shortlisted by certain clients and client types, you have a brand. It gives you some pricing flexibility; after all, if they really want you, they’ll pay for all the special things you bring to the project, within reason. It helps you attract the kind of people who in turn reinforce the brand.

This point deserves even stronger emphasis: Marketing and recruiting are two sides of the same coin. The same values and branding attributes that attract tenants and consumers attract good people, and a modern corporation is nothing if not a talent agency. Without talented people, you won’t be innovative, you won’t grow revenues and you will never be a market leader.

You can see, therefore, that this is a positive feedback loop. The clearer you are about your sustainability positioning and corporate social values, the more likely you are to attract the talent that will help you grow market share and dominate various green development and green retail niches. And the successful execution of your brand promises also generates loyal tenants and customers, who in turn build your business. Since many tenants, for example, perceive retail developments as a commodity, and



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since many developers deliver them as a commodity (think of how much each shopping mall or lifestyle center resembles the competition, both nearby and nationally), a brand differentiates your projects in a significant way from those of the also-ran competitors.

4. What makes a brand in the green building marketplace?

- A brand is a story told between marketer and consumer, between developer and tenant. The story must resonate with the tenant or buyer to be effective. The storytelling focuses on specific features of the project, but translates those features into benefits that the recipient can clearly appreciate.
- A brand sells an experience or a series of benefits to the consumer. People must be led from understanding the value of the features to understanding how they will benefit from them. For example Starbucks sells a commodity product, coffee, you can buy in hundreds of locations in any big town, and at a significant price multiple around USA. Starbucks has managed to create more than 10,000 permutations on the basic “cuppa java,” to give you a unique taste experience.
- A brand delivers on its promises. For example, in LEED Gold-certified apartment building in Portland, the presence of a trash room with recycling bins, just down the hall, and on every floor, and the enforcement of the required “no smoking” policy, both reinforced daily the promise that the green building experience will be something different.
- A brand “walks the talk.” Consumers expect sellers to live by the values of what they are selling. A green retailer or developer should have offices in a green building. A green developer or retailer should craft a LEED-EB or LEED-CI certification for its own offices. A green design developer or retailer should be promoting sustainability in all its activities, not just in a few projects here and there.

5. Conclusion

Developers and retailers need to understand how their sustainability marketing must evolve in order to compete effectively:

They must choose a strategy that incorporates higher levels of differentiation or lower overall operating costs (to attract tenants), with explicit focus on particular market segments that might include geographic location, project type, owner type, project size, specific technological approach or signature green measures.

This strategy must be reinforced internally and externally so that it becomes recognizable as a brand identity. Internal reinforcement includes training and certification of employees as LEED Accredited Professionals, for example; external reinforcement includes activities to increase the visibility of the company and its key executives in the chosen market niches.

Design firms must form close working alliances with contractors and clients to ensure that their green building projects will actually get built within prevailing budget, time, technology options and resource constraints.



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