Medley of Business Sustainability Models

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Abstract: While there are considerable volumes of literature dealing with sustainability in terms of the creation of economic value and increasing corporate environmental and social sensitivities. There are even more existing body of literature and publications focusing on sustainability as an environmental, social or even moral matter. The degree of divergence in applications and implications of these ever growing views and the challenges of ever being able to interpret them into business and management principles is the motivation for this paper. With a rigor of literature review this article analyzes and present a discussion on medley of business sustainability models.

Keywords: Governance, sustainability management, sustainable development; corporate sustainability; corporate social responsibility; integrated system management.

1. INTRODUCTION

In recent year the term sustainability is commonly found in business, management and environmental science literature resulting in divergence of applications and implications. This paper converges and analyzes the difference views as models for business sustainability. The term sustainability is vital to any organization’s success and longevity. Many businesses fail because they do not have an appropriate business model in place that focuses on marketing sustainability. When developing a business model organizations have to identify the following factors: customer base, operational capacity, and technology. This article discusses most frequently used business models that contribute to sustainability as a competitive principles

Like management by objective, total quality management and a number of other management approaches, Corporate sustainability is not just a managerial concept for business executives and entrepreneurial it has become an indispensable vehicle for exploring ways for costs containment risks management, new products development, waste management and drive fundamental internal changes in culture, structure and business principles. However, integrating sustainability thinking and practice into organizational structure is not a trivial task and it requires a vision, commitment and leadership. It also requires a systems approach with an appropriate management framework that enables design, management and communication of corporate sustainability policies. Major approaches discussed in this paper includes Capital focus approach, Add on model, organizational culture, systems approach and many more.

2. CAPITAL FOCUS MODEL

Capital is an important business model that can be used for Marketing Sustainability. “The capital approach to sustainability have also been applied to companies…companies need to enhance their efficiency” (Figge, Hahn, 2005, p. 48). The Capital business model should determine which operational actions to take with consideration to cost, available resources, customer behavior, future profitability, and overall return on investment.

An organization’s capital is more than its financial resources of cash, equity and debt. In addition to its financial resources, an organization’s capital can consist of human resources, marketing strategies, and organizational leadership. It is the allocation of these components that makes the business model effective in marketing sustainability.

An organization’s financial resources of cash, equity, and debt provide the boundaries and constraints for the Capital business model. The budgeting of the organization’s financial resources provides a tangible measurement of the business model’s practicality. The human resources component of the Capital business model provides both a tangible and intangible measurements of the model’s efficiency. Tangible measures of human resources are employee productivity, annual reviews, and retention and turnover. Intangible measurements of human resources are employee creativity, motivation, and commitment to the organization’s vision. The organization’s marketing strategies within the Capital
business model measures the efficiency of generating the sale and earning revenues. Components of the marketing strategy that should be addressed and frequently revisited are satisfaction of existing customers, potential customers, product offering, brand awareness, and market expansion. The organizational leadership component of the Capital business model has the vital responsibilities of establishing the organization’s mission, establishing objectives needed to meet the mission, evaluate the organization’s progress in meeting the mission, suggesting corrective actions, and leading by example. The overall objective of the Capital business model is the efficient allocation of the organization’s capital resources that can maximize marketing sustainability.

3. ADD-ON-MODEL

The Add-On business model contributes to how a customer values a product offering when additional features can be added. “People benefit from the availability of add-ons as long as these provide greater choice and there is sufficient heterogeneity or variety-seeking behavior in the marketplace.” (Bertini, Ofek, Ariely, 2009, p. 17). Firms across multiple industries offer Add-Ons with the base product and service.

Add-Ons contribute to marketing sustainability by continuing to create customer value and meeting the needs of consumers. Customers like having options to upgrade their product or service at a perceived discount. It is important that customers perceive value with add-on products since they end up paying a higher price at the end. Some marketing researchers view add-ons as companies intentionally pricing the base product and add-on differently. “The base good and the augmented good represent two quality levels that firms sell at different prices”(Bertini, Ofek, Ariely, 2009, p. 17). If customers do not perceive add-ons as an added value to their purchase they will not come back.

Industrial and Operational factors enable the Add-On business model to contribute to marketing sustainability. Organizations that have the operational capacity to offer follow up services can be offered benefit from Add-On business models. Some of these industries are Telecommunications, Auto Manufacturers, and Computer Engineering. For example, the telecommunication companies offer different plans that benefit the needs of different consumers. If a customer desires a mobile phone for basic calling the company can meet that need. If a customer desires a mobile phone that can access the web, download mobile applications, and text a data package can be added on. Each of these industries have the operational capacity to meet the customers need by providing them with choices and alternatives.

4. AFFILIATION MODEL

The affiliation business model contributes to marketing sustainability by offering organization’s expansion opportunities without the excess marketing costs. “The objective of affiliations usually is to maximize near-term control while enhancing integration, scale, quality, capital access, or other benefits associated with partnership.” (Cerreta, Shields, 2014, p.42). Forms of the Affiliation business model can include Ecommerce, Mobile Application, and Social Media. All of the previously mentioned forms of Affiliations can have an impact on an organization’s marketing sustainability.

Ecommerce companies that have been successful at using the Affiliation model in contribution to marketing sustainability are include Amazon and eBay. By supporting other merchants in the selling and distribution of their products both ecommerce companies have been able to expand into other market areas. For instance Amazon already had an established customer base when it introduced its electronic book readers and tablets. Both companies have also expanded into mobile applications. When implementing an Affiliation business model it is important to have the operational capability to support third party transactions. Technology has made it possible for organization’s to adopt this business model.

5. AIKIDO MODEL

The Aikido business model is commonly described as using the strength of a competitor as an advantage against them. This can be done by identifying weakness within a competitor’s strategic position. The Aikido business model contributes to marketing sustainability by revealing competitors weaknesses, identifying internal and external areas of improvement, and attracting customers through unique product offerings.

The practice of the Aikido business model can be seen in the classic competition between small and big businesses. Large corporations have access to more manpower, financial resources, and infrastructure. They have the operational capacity to expand and service more individuals. Using the Aikido business model, small business can identify several weaknesses with larger corporations and use them to their advantage. Larger corporations take longer to make decisions and adapt to
changes. This is a weakness of a larger corporation when it comes to customer preferences. This gives the smaller business the advantage since it is more nimble. “The smaller firms cite as one of their major advantages over the larger organizations a greater intimacy with customers and markets.” (Industrial Management, 1970, p. 13). Customers who want unique and exclusive product offerings will gravitate to businesses who go against the grain because corporate policy doesn’t interfere with the customer experience. The Aikido business model also reveals to companies areas of weakness in their strategic positions. By identifying internal and external areas of improvement organizations can reinforce their marketing sustainability efforts.

6. AUCTION MODEL

Auction business models contribute to marketing sustainability because they provide satisfaction to both businesses and consumers. “On-line consumer-to-consumer (C2C) and mixed business-and-consumer-to-consumer (B&C2C) auctions have become a focus of attention. These mechanisms enable efficient pricing methods and also enjoy wide consumer adoption and overall success for firms providing auction services.” (Vragov, Shang, Lang, 2010, p. 39). Customers benefit from the auction model because they have input on the final price of the product. Businesses benefit because their product offering are available to an established market. Similar to the affiliation business model customers engaging in the transaction have an expectation to make a purchase. Organizations that have been successful at using the Auction business model are eBay, Priceline, and Google. What these companies all have in common are their operational capabilities to use an electronic trading platform.

7. BARTER MODEL

The Barter business model contributes to marketing sustainability by creating strategic partnerships and networks. Contrary to economic research bartering can present several benefits in business to business relationships. “While most studies of barter have focused on such transactions as an emergency or irregular method of trade by households they have ignored the possibility of regular and predictable barter by firms.” (Marvasti, Smyth, 1998, p. 1078). A component of the barter business model is used quite often when businesses acquire one another or merger together to form one entity. Mergers & Acquisitions, Partnerships, and Joint Ventures often occur because both parties has access to a resource that the other needs. When companies come together opportunities to form strategic alliances present themselves. Opportunities to implement the affiliation business model also arise. Marketing sustainability can be reinforced with strategic partnership and networks established from the Barter business model.

8. DIRECT SELLING MODEL

Direct Selling refers to a scenario whereby a company’s products are not sold through intermediary channels, but are available directly from the manufacturer or service provider. In this way, the company skips the retail margin or any additional costs associated with the intermediates. These savings can be forwarded to the customer and a standardized sales experience established. Additionally, such close contact can improve customer relationships. Consumers benefit from direct selling because of the convenience and service it provides, including personal demonstration and explanation of products, home delivery, and generous satisfaction guarantees. In contrast to franchising, the cost for an individual to start an independent direct selling business is typically very low with little or no required inventory or other cash commitments to begin. Direct selling is distinct from direct marketing because it is about individual sales agents reaching and dealing directly with clients. Direct marketing is about business organizations seeking a relationship with their customers without going through an agent/consultant or retail outlet. Direct selling often, but not always, uses multi-level marketing (salesperson is paid for selling and for sales made by people he recruits or sponsors) rather than single-level marketing (salesperson is paid only for the sales he makes himself).

9. FLAT RATE MODEL

In this model, a single fixed fee for a product or service is charged, regardless of actual usage or time restrictions on it. The user benefits from a single cost structure while the company benefits from a constant revenue stream. This system is a tax system with a constant marginal rate, usually applied to individual or corporate income. A true flat tax would be a proportional tax, but implementations are often progressive and sometimes regressive depending on deductions and exemptions in the tax base. There are various tax systems that are labeled “flat tax” even though they are significantly different.
10.  DIGITIZATION MODEL

This pattern relies on the ability to turn existing products or services into digital variants, and thus offer advantages over intangible products, e.g., easier and faster distribution. Ideally, the digitization of a product or service is realized without harnessing the value proposition which is offered to the customer. In other words: efficiency and multiplication by means of digitization does not reduce the perceived customer value. Being digitally sustainable refers to all consideration that go into maintaining the institutional context for creation and maintenance of digital objects, resources, and supporting long-term viability. There are many reasons why sustainability is so important for Digital Initiatives and they include: the investment of resources is greater, the promise is greater, and the expectations are greater. The secrets to Sustainability in the digital world is to create a product worth sustaining. Develop well-defined programs with discrete objectives and measureable goals, and continually reassess your organization and its programs.

11.  E-COMMERCE MODEL

Traditional products or services are delivered through online channels only, thus removing cost associated with running a physical branch infrastructure. Customers benefit from higher availability and convenience, while the company is able to integrate its sales and distribution with other internal processes. Gone are days when business operation was only limited to some physical stores. With the advent of online technology, it became possible to provide a new platform to the business. Internet became a good medium for expanding the business. E-commerce can help you improve your customer’s shopping and reduce your costs. E-commerce reduces the environmental impact of shopping by using about a third less energy than traditional retail.

12.  USER DESIGNED MODEL

Within user manufacturing, a customer is both the manufacturer and the consumer. As an example, an online platform provides the customer with the necessary support in order to design and merchandise the product, e.g., product design software, manufacturing services, or an online shop to sell the product. Thus, the company only supports the customers in their undertakings and benefits from the potential to realize entrepreneurial ideas without having to provide the required infrastructure. Revenue is then generated as part of the actual sales. User designed is a process in which the needs, wants, and limitations of end users of a product, service or process are given extensive attention at each stage of the design process. User-centered design can be characterized as a multi-stage problem solving process that not only requires designers to analyze and foresee how users are likely to use a product, but also to test the validity of their assumptions with regard to user behavior in real world tests with actual users. The intention of sustainable design is to “eliminate negative environmental impact completely through skillful, sensitive design.” Manifestations of sustainable design require no non-renewable resources, impact the environment minimally, and connect people with the natural environment. Beyond the “elimination of negative environmental impact”, sustainable design must create projects that are meaningful innovations that can shift behavior. A dynamic balance between economy and society, intended to generate long-term relationships between user and object/service and finally to be respectful and mindful of the environmental and social differences. There are several design principles that include: Low-impact materials, Energy efficiency, emotionally durable design, Design for reuse and recycling, Design impact measures, Sustainable design standards, Biomimicry and Service substitution.

13.  CYBER COMMUNITY MODEL

What is a cyber-community? Many people form online communities around common interests, location, lifestyles or backgrounds, in a similar manner to how people formed communities in the past. A cyber community is a virtual community that includes one or more groups of people. Virtual communities allow people to interact with each other using different types of computer messages. Cyber communities can be open to anyone or to a select group of people, but they often fulfill a need people have to form friendships and romantic relationships or to talk with others about certain issues or topics. Cyber communities usually have a specific purpose, such as learning about new ideas, and selling items. Sustainable communities refer to communities planned, built, or modified to promote sustainable living. Sustainable communities tend to focus on environmental and economic sustainability, urban infrastructure, social equity, and municipal government.
14. CASH MACHINE MODEL

The cash machine is a business model in which businesses can access revenues from sales because the customers pay upfront for the products they buy while expenses incurred to produce the revenues are yet to be paid. This gives the businesses more liquidity which they can use to amortize debt or make other investments. “There is one important precondition, however, for the cash-machine strategy to be successful. A company has to have a relatively low valuation multiple. A low valuation multiple means that each dollar of cash paid out to investors has a higher yield.” (The Boston Consulting Group, 2014).

An example of a company who uses this method is Amazon. This company gets money upfront for membership, customers pay the membership fee upfront and whether or not they use the services or to what capacity they use the services does not have anything to do with the revenue. Most memberships are yearly membership and the expenses associated with this type of revenue can be spread over twelve months (12) while the revenue can be used from day one for other purposes. Another way Amazon make upfront cash is from selling goods, customers pay for the goods and depends on what type of shipping they select there is a delay before they receive the goods in questions. In this case also the company receives the money right away and can use it as they see fit. This allows the company to always have a high liquidity level and be very attractive to investors.

There is another approach to the cash machine model that the social media company named Linked uses. They use their users’ profile, which does not cost them anything extra, to make a lot of money helping businesses recruit skilled people. Once someone signs up for LinkedIn, they start making money with your information. In essence for many businesses LinkedIn plays the part of their staffing agency, only more efficiently. LinkedIn can charge a company over $8000 per user a year. “Today thousands of companies use LinkedIn’s flagship Recruiter product to hunt for skilled achievers. In human resources departments, having your own Recruiter account is like being a bond trader with a Bloomberg terminal—it’s the expensive, must-have tool that denotes you’re a player.”(Anders, 2012). If anyone knows how to milk a cow it is LinkedIn, they went from a $4.5 million annual loss in 2008 to a colossal gross income of over $890 million 2011.

15. CROSS SELLING MODEL

Cross Selling is a business model in which more services or products are added to the main products as incentive to attract new customers and keep current customers. Many companies now extend their brand with products that are totally unrelated to their mains products. One such example is Walmart; they use to sell all kinds of products except for food products. A few years ago they started adding more and more food products, and starting this year most Walmarts are now super store. They extended most of their stores with a market/produce section. They actually double the size of the store in Burlington to add that produce section. They want their stores to be one-stop-shop. Thus by offering other products and services they make themselves less vulnerable to specific products and more sustainable overall.

Another branch of Walmart is Sam’s Club which extended its products and services by offering gas. This did not quite catch up in other businesses, but this week I saw an ad at Costco that they will soon a Costco gas station as well. Sometimes these seemingly unrelated products can give a business a competitive edge over its competitors and make that company more attractive to investors and less vulnerable to changes in the market.

16. CROWD-SOURCING MODEL

Crowd-sourcing is business technique in which a company uses the public to help solve a problem or come up with innovative ideas the company can produce, usually through the internet. There is always a very enticing reward for the winner, which draws in an even bigger pool of participants. There are many ways a company can use crowd-sourcing.

Ford used it to help them market their new release the Ford Fiesta in 2009. It was such a success that they did it again in 2013 this time drawing even more people in. They drew contests through US to find one hundred (100) “agents” to present their car to the rest of the public. They gave those 100 people a brand new 2014 Ford Fiesta to drive for a year, the company covered their gas and insurance; all they had to do is to document their whereabouts on social media with photos, tweets, videos, etc… The company used some of these photos and videos to advertise on TV for the rest of us who don’t do social media. This strategy had a tremendous success and their sales volume increased as a result. This is what Scott Monty, Ford’s global digital and multimedia communications manager had to say about it: “The Fiesta campaign was major and really put Ford on the map when it comes to social media,” (Laskowski, 2013).
Frito-Lay took another approach to crowd-sourcing. Unlike Ford that needed to create a buzz around their new car, Frito-Lay needed to come up with a new flavor of chips, so they created a campaign to get the public to submit their ideas and the winner would get a nice prize. “The “Lay’s Do Us a Flavor” campaign gave consumers the option to create the next great Lays chip flavor and take home $1 million or 1% of the 2013 net sales of the winning product. From July to October 2012, 3.8 million people across 14 countries submitted their flavor creations through a Facebook app.” (Koller, 2013). Even though the primary purpose for the campaign was to find another popular chip flavor, a by-product of all this social media noise was sales increase; their sales increased by 12%. Crowd-sourcing for this new product flavor allowed the consumer to feel valuable and necessary to the Frito-Lay brand.

17. CUSTOMER LOYALTY MODEL

Customer loyalty is one of the most effective business tactics. It consists of providing customers value beyond the actual product or service itself. It is usually delivered through incentive-based programs such as member discount, coupons, birthday discount, points, etc. Most companies now have some type of incentive-based program such as American Airlines offering points for every flight a customer takes with them. These points can be redeemed for discount on flights, hotel reservation, rental car, vacation package, identity theft protection, magazines subscription; you can even donate your miles to charity to help a good cause. These companies have a partnership by which they refer each other to their clients. Those points can be redeemed only at specific companies, those belonging to the group of referrals. Thus sending business to each other, like a network. These incentives assure customers’ loyalty, after all the competition is not going to give them anything better than they are already getting from their current company.

18. TRASH TO CASH MODEL

Trash-to-cash can be a very lucrative business technique. It consists of collecting used products and turns them into new products or resells them in other parts of the world. It can be very profitable for two reasons. The first reason is that most of these products can be acquired for low to no cost; thus increasing the profit margin exponentially. Secondly, businesses pay to get their trash removed which can be a very good source of income. It can be a double bubble for a company that gets paid to get rid of the trash. On one hand they make money from the fee they receive to dispose of the trash; on the other hand they make money by reselling the trash. Businesses use this technique worldwide, a good example is the country of Norway that turns trash into energy. UK is paying to send tens of thousands of tons of household waste from Bristol and Leeds to Norway. Pål Spillum, head of waste recovery at the Climate and Pollution Agency in Norway, says that “The Eurotrash business may sound like an unpromising enterprise, but it's one that is increasingly profitable. As a rule we generate about 50% of our income from the fee we receive to take the waste and about 50% from the sale of the energy we create,”(Russell, 2013). That goes to show that money can be made from both end of the spectrum.

This technique is also use on a lower scale by individuals who go around collecting appliances, children toys, furniture, etc. They sell these used products to different clients. They sell whatever is in good condition through garage sales, they sell the rest to junk yard clients. They sometimes get paid to clear out houses when their owners pass away or the house is being put of the market for sale. Then they turn around and sell everything they collected. It is indeed a very sustainable method of doing business.

19. PAY PER USE MODEL

Customer Pays according to usage of product or service. This attracts customers who appreciate flexibility and do not wish to be locked into long-termed contracts although the cost for such services may be high. Companies that use services as these are mobile services as Cricket, Metro PCS, and etc.

Are products whose price is not based on the actual product value, but performance outcome of the service that it provides to its customers and the value it add through performance based workers that integrates value into the process.

20. RENT INSTEAD BUY MODEL

Services that do not require purchasing the product; but rent product for economic purpose of requiring less capital to have access to product. Less Responsibility when you rent because most of the responsibility is on the owner’s shoulders. No Debt, you are responsible for the monthly rent; that’s it. More Freedom when you rent, sign a six-month or one-year lease. This means that you’re tied to that place for at least that amount of time. Once the time is up, you can...
move to another product if you choose, or you can renew your lease. However, when you purchase, you are tied to that purchase for the term of your loan, which is often 20 to 30 years. No Financing. Most individuals who purchase need to obtain some type of financing, which usually comes in the form of a loan. There is a long, drawn-out process involved in getting a loan and this sometimes includes exorbitant 

21. Reverse Innovation Model

Reverse Innovation is the strategy of innovating in emerging (or developing) markets and then distributing/marketing these innovations in developed markets. Many companies are developing products in emerging countries like China and India and then distributing them globally. Used by Microsoft in its Starter edition’s (targeted at not so technically savvy customers in poor countries and with low-end personal computers) simplified help menu and videos into future U.S. editions of its Windows operating system. As well as HP utilizing this message for its research lab to adapt Web-interface applications for mobile phones in Asia and Africa to other developed markets.

22. Conclusion

This paper draws attention to two major approach to the concept of sustainability; The “Three Spheres of Sustainability and the Integral Model. The first focusing on environment, economics and social second a behavioral approach focusing on human behavior and governance. Both dominant schools are shy on business formulas for sustainability. Sustainability models are aimed at developing road-maps, action plans, for achieving sustainably business and social activities that use resources and where immediate and intergenerational replication is demanded. Sustainability model coincides with further economic growth and human development in any society or economy by sourcing the means of continual growth beyond economic development. As such, sustainability is the organizing principle for sustaining finite resources necessary to provide for the needs of future generations of life on earth. Thus the model studied in paper converge on sustainability as a process that envisions a desirable future state for human societies in which living conditions and resource-use continue to meet human needs without undermining the “integrity, stability and beauty” of natural. A collective effort by producer and consumers to execute sensitive balance between nature, economy and the society in favor of the next generation

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