Company environmental and societal positions as sources of competitive advantage: Consumer- and retailer-level effects

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Company environmental and societal positions as sources of competitive advantage: Consumer- and retailer-level effects

Abstract
Smaller producers need to differentiate themselves from larger operations to ensure their economic survival. One way to do this is to market their products as being environmentally friendly and/or socially responsible.

Keywords
Market research and feasibility studies

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Company environmental and societal positions as sources of competitive advantage: Consumer- and retailer-level effects

Abstract: Smaller producers need to differentiate themselves from larger operations to ensure their economic survival. One way to do this is to market their products as being environmentally friendly and/or socially responsible.

Question & Answer

**Q:** Do consumers and retailers (grocery and restaurant buyers) perceive value in producers who advocate a positive environmental and social position in the marketplace?

**A:** Apparently, yes. Project results suggest that agricultural firms could earn a relatively high return (in some cases up to 20 percent more) on investment from strategies that highlight their environmental policies. Our data also suggest subtle, but important differences between consumers and retailers with regard to social positioning. Retailers, as compared to consumers, appear to be more inclined to pay more for goods produced by socially responsible firms.

Impact of environmental positioning strategies on consumer and retail perceptions of sustainable agriculture producers.

One objective of the proposed research was to determine if companies using an “environmental positioning” strategy can create perceived value even in the face of the higher prices (in some cases, 20 percent more) that consumers must typically pay for environmentally-friendly products. There are marketplace trends suggesting the potential for positive returns to agricultural marketers positioning their offerings as “green” products.

One factor that may influence the success of environmental positioning is whether the company has a positive or negative reputation in the marketplace. Whether the company is local or national/multi-national plays a part in the firm’s reputation, perhaps because consumers may have an interest in supporting local farming enterprises. Another factor in determining an organization’s reputation is the level of corporate social responsibility efforts, including cause-related marketing strategies that link sales of products to the support of specific causes.

The first study (conducted in 2004) focuses on consumer side effects associated with agricultural sustainability. The next step is looking at the effects of producer size, environmental positioning, and social positioning on perceptions held by retailers who interact directly with agricultural producers. Examining the acceptance of retailers for

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**Budget:** $25,000 for one year
sustainable agriculture products—and considering what factors influence adoption—is critical because retailers serve as “gatekeepers” for such products. They are the focus of the second study described here.

**Approach and methods**

**Study 1, Consumer effects.** An Internet survey in eight different versions allowed researchers to isolate the effects of each independent variable (environmental positioning, producer origin, and company reputation) on a set of dependent variables (choice, attitudes, purchase intentions, willingness to pay, quality perceptions, and attribute-based beliefs). The survey design also allowed investigators to assess potential interactive effects of the independent variables.

The on-line surveys were administered to respondents by a third-party company, PostMasterDirect. A sample of 4,200 email addresses was used representing consumers throughout the United States. There was a 19 percent response rate to the survey.

**Study 2, Retailer-level effects.** The design of the second study was similar to that of the first study. The effects of environmental positioning, producer origin, and company reputation were considered for two agricultural product firms. Initial research was conducted to determine a list of potential respondents who had purchased produce for grocery stores and restaurants. The return rate on this group of surveys was 12 percent from a sample population of 1,366 grocers and restaurant managers (or 165 responses). (This summary described a combination of two projects.)

**Results and discussion**

The general finding from the surveys is that agricultural producers can positively differentiate their offerings through company positioning. From a consumer perspective, firms can influence choice shares and create price premiums for their products by cultivating, in general, a positive company reputation, and more specifically, perceptions that they are an environmentally-friendly company. The most consistent finding in this regard concerns the effects of environmental positioning on consumer perceptions. The presence of this type of positioning enhanced perceptions associated with every dependent variable assessed in this study.

Careful environmental positioning by a firm also improved consumer dispositions toward the company’s offerings. Specifically, adoption of this type of strategy resulted in more favorable intentions to purchase the firm’s products and an increase in the likelihood that consumers would choose its offerings.

In terms of company reputation, the results demonstrate that producers who buy locally and pay their farm workers a fair wage will accrue a number of benefits with consumers. Furthermore, company reputation also was enhanced by providing consumers information about safeguarding farm workers against potentially dangerous pesticides.

The least reliable result concerned product origin, which appeared with respect to only three of the nine dependent variables. The findings also suggest that consumers perceive higher quality for products offered by smaller companies of local origin than for those marketed by larger conglomerates. Ultimately, food quality is a core product benefit on which purchasing decisions are made.

Adopting such positioning strategies also can exert a significant influence on retailers’ receptivity toward an agricultural producer’s offerings. However, the effects of environmental positioning strategies at the retailer level were more complex than those observed with respect to consumers. As with the first study’s consumer-level findings, environmental positioning was a primary determinant of retailers’ receptiveness to agricultural products as evidenced in a higher percentage of respondents selecting the company associated with more positive than negative environmental strategies. However, the influence of environmental positioning on retailer perceptions also was contingent upon the producer’s overall reputation and, to a lesser extent, its size.

The interactive effects of environmental positioning, company reputation and size also were found with regard to the price that retailers were willing to pay for these products as well as the product’s perceived quality and freshness. Such findings highlight important tradeoffs associated with retailer decision making. While positive
environmental approaches, favorable company reputa-
tions, and smaller firms were associated with higher 
produce prices, such price premiums were more than 
adequately compensated by perceptions of higher quality 
and freshness, culminating in more favorable choices 
and purchase intentions. The results indicate that a 
retailer's knowledge of a company's approach in manag-
ing its interface with the environment and with local 
communities (and to a less extent, the company's size) 
can have a significant influence on decisions to adopt the 
company’s products.

Conclusions

A company’s ability to effectively position its offerings to 
consumers is a fundamental element of marketing 
strategy. Results from these studies suggest that an 
aricultural firm operating in parity markets can differenti-
ate its offerings for both consumers and retailers based 
on several factors that are independent of product 
quality, namely the company's environmental positioning, 
reputation, and product origin.

The research produced fairly systematic evidence 
regarding the effects of these marketing variables on a 
range of customer perceptions. In general, the findings 
from this research are encouraging, given that they 
suggest a multitude of strategic avenues for creating 
differentiation, even for agricultural firms operating in 
markets in which actual offerings tend to be relatively 
undifferentiated (i.e., traditional commodity markets).

The greater complexity of influences on retailer percep-
tions suggests implications regarding the specific mar-
keting and communication strategies firms should adopt 
depending on whether they are targeting consumers or 
retailers. At the consumer level, perceptions were 
affected primarily by environmental positioning. Accord-
ingly, agricultural firms should earn a relatively high 
return on investment from strategies that highlight their 
environmental policies.

In contrast, findings from the second study that demon-
strate retailers' sensitivity to all three facets of positioning 
(environmental, reputational, and size) indicate that retail-
based strategies that touch on any or all of these aspects 
will be worthwhile. However, the results suggesting that 
retailers were affected most by environmental consider-
ation indicate that a greater return can be realized by 
aricultural firms investing in environmental positioning 
vis-à-vis reputation or size-based positioning strategies.

Additional research is needed to investigate why retailer 
perceptions are more sensitive to different dimensions of 
positioning than are consumer perceptions. One reason 
for this may be that retailers face more complex purchas-
ing decisions than consumers. Alternatively, the finding 
that retailer perceptions were influenced by a greater 
number of factors may reflect their relatively higher levels 
of expertise and sophistication regarding such 
purchases.

Leveraged funds

No funds were leveraged.