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FACULTY OF BUSINESS STUDIES

Do Quang Minh

MASTER THESIS
THE INTEGRATION OF SUSTAINABLE PROCUREMENT AND MARKETING
A CASE STUDY OF UNILEVER

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University of Vaasa

Author:	DO Quang Minh
Topic of the thesis:	The integration of marketing and sustainable procurement. A case study of Unilever
Supervisor:	Simona D'ANTONE and Jorma LARIMO
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ABSTRACT

Today, we are living in an uncertain world with many issues such as deforestation, malnutrition, climate change, natural disaster, pollution, etc. And all of those events are not only having impacts on our lives but on the business activities all over the world. Therefore, the term “sustainability” has become more important than ever. As a matter of fact, integrating sustainability into business strategy and core activities of the companies can be considered as a growing trend. The two functions that are affected most by the sustainability are the procurement and marketing. Hence, this thesis aims to investigate about the relationship between procurement and marketing in the new context of sustainability. It also explores the drivers and the barriers between that relationship of marketing and procurement; and ultimately provides a theoretical framework which was built based on previous studies and which can help understanding the relationship between marketing and procurement. The empirical part was based on the case study of Unilever, one of the largest consumer goods companies in world and the pioneer in integrating sustainability to the business. Exploratory literature review was carried out by utilizing multiple sources such as articles, books and web pages.

The thesis identifies various drivers and barriers of the relationship between marketing and procurement. The case shows that Unilever is doing quite well and on the track to achieve the integration between marketing and procurement. This is happening gradually at Unilever given its size and scale and few barriers still need to be overcome. This study could be used as exemplary for other companies that want to become sustainable.

Key words: Sustainability, Integration, Sustainable procurement, Sustainable marketing, Inter-functional.

1. Introduction

1.1 Back ground of the study

Previously, procurement had always been considered as a support function within the organization to assist for primary activities such as logistics, operations, marketing & sales and service (Porter, 1985). But Reck and Long (1988) argued that approximately 60% of the revenues of the industrial firms in the US were used to spend on materials, services and capital requirement therefore reflecting the importance of procurement in the entire business although it was only the assisting role. The authors also suggested that “any advantage gained in purchasing can contribute to the firm’s competitive position in the world marketplace.” (Reck and Long, 1988: 2). It is believed that one of the key factors that have made procurement more important in recent years was the shift of businesses to focus on core competences and on outsourcing (Handfield and Pannesi, 1995; Harland et al., 1999; Monczka et al., 1993; Richardson, 1993). That helped make a huge evolution for procurement to become an integral part of the companies’ strategy. Meanwhile, Ellram and Carr (1994) claimed that the purchasing has transformed from a mere buying function into a strategic function. Therefore, it was believed that apart from the traditional thinking that only marketing and production could bring competitive advantage to the firms, the competitive advantage could also be achieved through strategic purchasing.

On the other hand, Cavinato (1999) argued that in order to become a strategic function, purchasing must go through five internal stages ranging from basic financial planning to knowledge based business in order to fit to the organisation. In order to gain competitive advantage for the business, purchasing cannot act alone but it must align with other functions within the firm and more importantly it must educate the rest of the firm on its contributions and the values that it could bring the firm (p. 83). Similarly, Reck and Long (1988) categorised the purchasing’s strategic contribution into four stages from passive to independent to supportive and eventually integrative. In the final stage which is the integrative stage, the authors argued that “the firm’s competitive success rests significantly

on the capabilities of the purchasing personnel” (p. 6). It is believed that in its new strategic role, purchasing could help businesses gain competitive advantage through its inputs for other functions as well as its alignment with them in operational activities such as: product design, production processes and the development of sales.

In addition to the competitive advantage created by the alignment of purchasing and other functions within the firms, Johnsen et al. (2014) took an example of the American motorcycle company Harley Davidson which suggested that collaboration between purchasing and engineering was the key success factor for its business turnaround (**Table 1**) since this allowed the collaboration of purchasing department with the engineering department on the conjoint design and development of new products.

In the early 1990s Harley-Davidson’s engineering division was in charge of design and testing activities, and there was little cross-functional collaboration with production and purchasing. Engineers dealt directly with suppliers and relationships with suppliers were poor. Earl Werner, vice-president of engineering, recalled, for example, that if he wanted to develop a new fuel injection system for a motorcycle, the engineering department would have to survey the supply base, identify a supplier who could best make the parts, and then confirm that the supplier had the necessary technical capabilities to support the design. ‘We picked suppliers whose forte was technical innovation,’ said Werner. ‘They were low volume and didn’t have a high degree of competency on the commercial side. Or they couldn’t meet the scheduled requirements for manufacturing.’ Supplier components came in late and production was often jeopardized.

Traditionally, purchasing had become involved in design and development once engineers had finished their designs. Therefore, there was little room for purchasing to influence supplier selection. Dividing the purchasing division into two functions – operational purchasing and development purchasing – the company enabled part of the purchasing function to focus on the long-term development of the supply base and the integration of suppliers into the product design and development process.

The term ‘purchasing engineers’ was developed for employees who would work side by side with engineering. ‘Having engineers in purchasing is critical because they are responsible for translating the technical requirements into a voice for the supplier,’ said Werner. Jayson Way, a purchasing engineer, says Harley-Davidson learned that when purchasing is not involved in the design process, the company tends to pinpoint parts that can be provided by just one source. By getting purchasing – and multiple suppliers – into the design fosters early competition.

Table 1: Purchasing and engineering collaboration at Harley-Davidson (Johnsen et al., 2014, p.39)

There are many studies about the importance of purchasing and its strategic role within the companies which indicate that when purchasing shifts from clerical role to become a strategic function, it can help businesses achieve competitive advantage over the competitors. Moreover, even when senior procurement professionals are aware of the strategic importance of their role, this information still struggles to be communicated explicitly within the firm and thus it has an impact on procurement effectiveness (Tassabehji and Moorhouse, 2008). That puts a big question regarding the perspectives of other functions on procurement and it is also vague about the importance of procurement. And this might also have an impact on the inter-functional relations between procurement and other functions if their positions are not compatible.

In terms of inter-functional relations, depending on the level of exchange between procurement and other functions, there will have different types of the relationship as Santos and D'Antone (2014) categorised them into two dimensions: *coordination* which includes interaction, exchange and alignment & *cooperation* which consists of mutuality and collaboration. The authors argued that the combination all these dimensions will lead to the highest level of the inter-functional relationship which is the integration. Similarly, Bocconcelli and Tunisini (2009) also suggested that there are various types of relationship between purchasing and marketing ranging from exchange to interaction to interface and finally integration which is also at the highest level in this relationship hierarchy.

In recent years, the terms such as: climate change, global warming, transparency, greenhouse gas emissions, deforestations, pollution, natural disasters, cheap labours, etc. have become more and more common. They are not only having huge impacts on the profits of businesses but also on the existence of our life and life of the next generation. According to the United Nations, by 2050, if current consumption and production patterns remain the same and with a rising population expected to reach more than 9 billion people, we will need three planets to sustain our ways of living and consumption. That shocking forecast is really a wakeup call for business to think and take action seriously about its Corporate Social Responsibility (CSR) activities. Consequently, the new term "sustainability" has been born. According to the Brundtland report which defines

sustainability as the development that “meets the needs of the present without compromising the ability of future generations to meet their own needs.” (World Commission on Environment and Development, 1987: 8).

Today, sustainability is one of the most used words in business and there are increasing number of companies that want to learn more about sustainability and how to integrate sustainability to their strategy. The emergence of sustainability has also led to the rise of sustainable procurement which encourages companies to develop new innovative purchasing strategies and methods in order to avoid unethical purchasing practices in the developing nations and gain full advantage of the opportunities posed by sustainability (Johnsen et al., 2014). Similarly, Tate et al. (2010) claim that procurement has more responsibilities than other functions regarding its contribution to the sustainability of the business. The authors argue that this critical impact is due to the importance of raw materials to the companies, especially in the manufacturing industry where up to 70% of added value could come from the procurement.

Another reason that advocates for the importance of procurement in the emergence of sustainability is the strategic position of procurement which is at the starting point of the upstream in the business (Carter et al., 1998; Porter and van der Linde, 1995). It could be understood that sustainability is one of the drivers that helps sourcing to transform from a pure purchasing function to a strategic procurement role in the organisation that would require more involvement in the strategy and operation works. More importantly, Paulraj et al. (2006) found that strategic purchasing has a significant effect on the integration of cross-organizational teams when it could reach its peak strategic level. In addition to this, a special issue recently published on the academic journal *Industrial Marketing Management* (vol. 43, Issue 1) has pinpointed the importance of integrating marketing and operations activities so to increase sustainability outcomes (for an overview of this issue see Gupta et al. 2014).

Together with logistics, operations and service, marketing is one of the primary activities in the value chain of the company. Moreover, it seems that marketing and sales are regarded

as more powerful than the others as it is argued that marketing is not only about managing the relationship with the customers but it also has an impact on the growth of the business (Moorman and Rust, 1999). Unlike procurement, marketing always has an influence on businesses and the power of that influence depends on the sector in which businesses are operating. In the consumer goods companies, marketing lies in the heart of their strategies and it is expected to be the key competitive advantage for the business; hence almost consumer goods companies are marketing driven companies. Meanwhile, the industrial companies focus less on marketing but more on sales and productions which they expect to create values for the business (Avlonitis and Gounaries, 1997). Similar to the procurement, marketing has also gone through a long transformation from the mass product marketing which emphasises on manufacturing and selling goods to customer orientation marketing which focuses on customers' needs to make appropriate products for them (Quelch and Jocz, 2008). And in the sustainability era, like procurement, marketing has become more important than ever with its new priority of changing consumers' behaviours to motivate them to consume more responsibly (Peattie and Peattie, 2009).

According to the empirical findings of Kahn and Mentzer (1998), the inter-functional integration of marketing with other functions which emphasizes on collaboration could help businesses achieve better performance. But there still remain a few gaps between marketing and procurement when Sheth et al. (2009: 865) argued that "purchasing and marketing operate in distinct silos within the organization" and the authors explained by taking an example of customer-focused companies and claimed that "purchasing is aligned more with manufacturing and operations, and remains distinct from the aims and objectives of marketing" (p. 865). According to the authors, the reason that separates marketing and procurement is the classic business model where manufacturing and operations had differentiated goals. Similarly, in the classic organisation of the company, departments are in competition for visibility inside the company and perceptions about other departments were often distorted, for instance "marketing's perception of purchasing as a clerical function" (William, 1994: 31). The authors also explained that this unequal relationship and perception created the gap between marketing and procurement thus it would be very

difficult for them to collaborate. Therefore, a further study on the integration between marketing and procurement is necessary, especially when they have the common goal which is the sustainability of the business.

1.2 Research gap

The inter-functional relationship within the business is always an interesting topic for the researchers, as the result of that; there have been a few studies about the integration of marketing with other functions such as sales (Dewsnap and Jobber, 2000), R&D (Gupta et al. 1986; Leenders and Wierenga, 2008; Song and Thieme, 2006), manufacturing (Karmarkar, 1996; Narasimhan and Das, 2001), or finance (Zinkhan and Verbrugge, 2000). And in recent years, there are increasing number of studies about the relationship of marketing and purchasing (Williams et al. 1994; Sheth et al. 2009; Ivens et al. 2009; Piercy, 2009; Bals et al. 2009; Guercini and Runfola, 2009; Brindley and Oxborrow, 2014). Following, **Table 2** below summarises table of previous studies on the integration between marketing and procurement:

Table 2: Summary of studies on the integration between marketing and procurement

Authors/Years	Topics	Sector
Williams et al. (1994)	<ul style="list-style-type: none"> • The Cross-Functional Imperative: The Case of Marketing and Purchasing 	B2B
Sheth et al. (2009)	<ul style="list-style-type: none"> • Why integrating purchasing with marketing is both inevitable and beneficial 	B2B
Ivens et al. (2009)	<ul style="list-style-type: none"> • Organizing and integrating marketing and purchasing in business markets 	B2B
Piercy (2009)	<ul style="list-style-type: none"> • Strategic relationships between boundary-spanning functions: Aligning customer relationship management with supplier relationship management 	B2B
Bals et al. (2009)	<ul style="list-style-type: none"> • Barriers of purchasing departments' involvement in marketing service procurement 	B2B
Guercini & Runfola (2009)	<ul style="list-style-type: none"> • The integration between marketing and purchasing in the traceability process 	B2B
Brindley & Oxborrow (2014)	<ul style="list-style-type: none"> • Aligning the sustainable supply chain to green marketing needs: a case study 	B2B

The tension between marketing and procurement is still on-going in the businesses and it is also an interesting topic for the researchers as there are increasing numbers of studies about

their relationship. But not many of them have studied about that relationship in the sustainability context, except the recent special issue of *Industrial Marketing Management* (vol. 43, Issue 1) which aimed to highlight the increasing involvement of marketing with sustainability by developing the articles that emphasized on integrating marketing and operational activities to help business become more sustainable (Gupta et al. 2014). Until now, those previous studying about the relationship between marketing and operations, especially the purchasing have been limited to the interfacing issues in companies that operate in the B2B sector, therefore companies whose customers are other companies and none of them has had any studies in the B2C sector, in which the sustainability trend is particularly strong.

Even though there was one study on the relationship between marketing and purchasing in sustainability context (Brindley and Oxborrow, 2014)) but in overall, the findings of the integration between marketing and purchasing in the B2C sector are still lacking and have not been explored yet. Hence, this thesis aims to explore those undiscovered interfacing issues between marketing and purchasing in the B2C company whose end customers are consumers. This study will bring new insights about the gap between marketing and purchasing in the consumer business, moreover it will provide new findings on that interfacing issue when they are put in the sustainability context.

1.3 Objectives and research question of the study

The overall purpose of this study is to enhance our understanding of the relationship between procurement and marketing especially when they must work towards the common goals of sustainability, thus the research question of this study is: How can marketing integrate with procurement to achieve corporate sustainability goals?

To answer this research question, three objectives are set. The first objective is to define the sustainable procurement as well as sustainable marketing through the previous studies of the relevant topics. The purpose is to understand what motivates companies to source sustainably and responsibly and the impact of sustainable marketing on the consumers'

behaviours. The second objective is to review all the previous studies related to this topic and to analyse their results regarding the motivations of the integration between marketing and procurement. However, those studies were limited to the scope of B2B only, thus the second objective was also to shortlist key drivers and barriers from those previous study to compare with the upcoming results of the exploratory study in the B2C. After having satisfied the first and second objective, results from literature investigations will be used as a conceptual basis for the empirical study and its analysis. Finally, the third objective is to present the findings of the study, propose related insights as well as to discuss managerial implications and limitations for the further research.

1.4 Structure of the thesis

This thesis includes five chapters. The first chapter consists of a brief background about the milestone of procurement and marketing as well as the research gap and the objectives of this thesis. Then in the chapter two, previous studies about the interfacing issues of marketing and purchasing will be reviewed to summarise their findings that will be used for the data analyses later. The results got from this literature review part focus on the integration between sustainable procurement and sustainable marketing. Subsequently, chapter three will explain the methodology of the empirical study proposed in this thesis together with the research design, data collection, reliability and validity of the study. Chapter four will discuss and analyse data collected through the lens of concepts emerged in the literature review. The final chapter provides some insights obtained from this thesis, a discussion of limitations of this work, conclusive considerations, and research suggestions for future works.

2. Review on the sustainable procurement and marketing and its relationship

The emergence of sustainability has forced companies to transform to the new sustainable business model which takes into account the triple bottom line principle (Elkington 1994) and the alignment of all functions across the value chain of the business. Since this thesis aims at studying more about the relationship between purchasing and marketing, this section will review related work addressing how business models have evolved and how this change brings competitive advantage. This review will focus on 3 areas: sustainable procurement, sustainable marketing and the integration between purchasing & marketing in B2B contexts.

2.1 Sustainable procurement

In recent years, the term sustainable sourcing or sustainable procurement has become very popular the business but it seems that not everyone can define exactly what is it? What motivates firms to source sustainably? And what benefits it can bring to the businesses if they adopt the sustainable procurement? The answers of those questions will be answer in the following sections from the definition to the drivers and benefits of sustainable procurement.

2.1.1 Definition of sustainable procurement

The term “sustainable sourcing or sustainable procurement” has been not only used increasingly by the business to talk about their Corporate Social Responsibility or Sustainable Business practices but also used by many researchers to discuss about the importance of sourcing to the entire sustainable business model. Although the terms procurement, sourcing, purchasing or buying are used interchangeably, their meanings are quite different. According to Chartered Institute of Purchasing and Supply (CIPS):

- **Purchasing:** “describes all those transactional processes concerned with acquiring goods and services, including payment of invoices” (CIPS, 2015). The meaning of purchasing is narrow than procurement
- **Procurement:** “Procurement describes all those processes concerned with developing and implementing strategies to manage an organisation’s spend portfolio in such a way as to contribute to the organisation’s overall goals and to maximise the value released and/or minimise the total cost of ownership” (CIPS, 2015). This definition shows that procurement has a broader meaning than purchasing as it manages the entire cycle beginning with the raw material inputs and ending with the disposals of the products. But it does not include logistic as it belongs to Supply Chain management.
- **Sourcing:** “describes all those activities within the procurement process concerned with identifying and evaluating potential suppliers, engaging with selected suppliers and selecting the best value supplier(s)” (CIPS, 2015). This means that sourcing is more about searching the raw materials, working directly with the supplier to understand more about that materials and pick up the best suppliers to go ahead and the contract will be finalized by purchasing team.

According to these definitions, procurement is broader than sourcing and purchasing while the sourcing and purchasing have their own scope. On the other hand, Datta (2008) claimed there are five main principles of purchasing: purchase the right quality, with right quantity, at the right price, from the right source and at the right time. Meanwhile Zenz (1994) argued that purchasing is more about material management as it must deal with the planning, acquisition and utilization of materials. Although, there are many definitions and arguments showing that in the supply chain management procurement is broader than sourcing which is broader than purchasing, in current usage these differences are nuanced, and generally the main responsibility of procurement, sourcing and purchasing is identified with acquiring materials and manage them. Therefore, procurement and sourcing will be used interchangeably in this thesis, while purchasing will be focused more specifically as a function of sourcing.

A number of researches have studied different aspects of sourcing from social aspect with key issues such as codes of conduct (Mamic, 2005), child labour (Winstanley et al. 2002), labour rights and factory safety (Huq et al. 2012) to environmental aspect dealing with the responsibility of purchasing to facilitate recycling, reuse, resource reduction (Carter and Carter, 1998; Min and Galle, 1997). Since each of these articles focuses only on a specific aspect of sourcing, none of them can give a comprehensive definition of what sustainable sourcing is. But in recent years, there have been more and more studies that have provided a full definition of sustainable sourcing which focuses on triple bottom line aspect such as Walker and Phillips (2009: 41) with the definition of “sustainable procurement” as “the pursuit of sustainable development objectives through the purchasing and supply process, and involves balancing environmental, social and economic objectives.” Similarly, Pagell et al. (2010: 58) claimed that sustainable sourcing is “managing all aspects of the upstream component of the supply chain to maximise triple bottom line performance”. Tate et al. (2010) also argued that pressure from stakeholders requires sourcing to follow those guidelines: the suppliers must meet environmental standards, choosing the suppliers and its locations that could give economic competitive to the business and requiring the suppliers to meet social values and standards of the business.

Equivalently, the Dutch Sustainable Trade initiative (IDH, 2015) defined sustainable sourcing as the acquisition of goods and services with the consideration of long-term impact on people, profits and the planet. According to IDH, sustainable sourcing oversees the whole process from acquiring materials (know where it is from, who makes it, how it was made), transporting and disposing them. This could be the most prominent definition of sustainable sourcing since it describes the complete task which starts with the source until the products are disposed of instead of emphasizing on three aspects of triple bottom line as previous studies which were quite general. The gap between previous studies and this study from IDH (2015) is the scope of operation of sustainable sourcing within the business because sustainable sourcing cannot be limited within the scope of acquiring materials to meet the triple bottom line principle only, but it should be beyond that. For example: nowadays, the big supermarkets from developed countries in Europe are

persuading consumers to switch from using plastic bag to using re-usable bag made from cotton which would be more environmental friendly and unlike plastic bag, it could be biodegradable. But the thing is, cotton could only be sourced from developing countries such as China, India, Brazil, etc. which then will be transported back to Europe to manufacture, so does the sustainable sourcing which focused on triple bottom line take into account the carbon emission from the ship/airplane that helped transport cotton to Europe? That raises a big question regarding the real meaning of sustainable sourcing effectiveness of the business if its scope is limited only to the acquisition of raw materials.

Therefore, IDH (2015) concluded that sustainable sourcing must calculate the total cost of ownership or total cost of product life cycle which begins with the source until the end with the disposal of products. That is why Schneider and Wallenburg (2012) also concluded that if the sourcing of a business wants to be considered as sustainable, it must meet three aspects of triple bottom line principle during its sourcing processes which go beyond supplier selection. That means sustainable sourcing must consider its sourcing process as a holistic supply management. This conclusion helps to reinforce the definition of sustainable sourcing from IDH (2015).

2.1.2 Drivers of sustainable sourcing

Although there have been an increasing number of articles about sustainability and sustainable sourcing, it still remains unclear what are the motivations that drive businesses towards these practices. The various factors that drive businesses to adopt sustainable practices can be summarized into two main types: external and internal. While internal drivers include “managerial attitudes, employees’ demands, organizational culture, internal pressure on business managers, and social development activities”; external drivers consist of “customers’ demand for such products, pressures from investors, community groups, and the public, as well as competitors and compliance with regulations.” (Gabzdylova et al. 2009: 993)

2.1.2.1 Internal drivers

It could be seen that there are three main factors that have impacts on sustainable sourcing: managers' commitment, organisation's culture and strategic requirements for the business.

According to Haigh and Jones (2006), top senior managers must be aware of the contents and values of sustainable sourcing to increase their commitment and favour sustainable implementation throughout the organisation. The authors also suggest that compensation and rewards of the managers or employees must be tied to the performance of sustainability practice so that they could have full commitment to it.

Corporate culture also has impacts on sustainability practices in the business; however it is not easy to change employees' values and beliefs: this often happens gradually, starting with the surface level through the annual sustainability corporate report, etc. (Linnenluecke and Griffiths, 2010). Similarly, Carter and Jennings (2004) claimed that top management leadership has big impacts on shaping corporate culture which would facilitate and motivate the sustainability beliefs within the company. When the sustainability has become more popular and influential, companies need to see it as an opportunity rather than a constraint as before.

Additionally, Pedersen (2009) argued that "sustainability has become a distinguishing factor that differentiates the leading companies from the followers". Therefore, the internal strategic requirement has become an important driver to force business become more sustainable and sustainable sourcing would be a good start.

Last but not least, it is the internal pressure from the company itself to try to protect its public image and reputation that drives business to be more responsible. Taking the case of the garment industry in Bangladesh, where employees were paid poorly and had to work under extremely dangerous conditions that really had an impact on the reputation of companies which had almost all their products manufactured in Bangladesh such as H&M, Zara, GAP, etc. Thus Huq et al. (2014) suggested that if the procurement is not taken

seriously, repeated tragedies like the one in Bangladesh and future reputation damage are inevitable.

2.1.2.2 External drivers

According to Pedersen (2009), non-governmental organisations (NGOs) have an important role in corporate social responsibility. More and more companies cooperated with NGOs in working towards the sustainability goals. For example: beginning with only 10 corporate members, Roundtable on Sustainable Palm Oil (RSPO) now has more than 1300 members including giant companies like Unilever, P&G, Nestle, etc. in over 50 countries (the Guardian, 2004). Meanwhile Haigh and Jones (2006) argued that NGOs has a distinctive power to force corporations to address ecological or humanitarian issues. The authors classified them as promotional NGOs following the categorisation of Smith (1990: 108) which categorised NGOs into 3 types: “*Sectionals* protect the interests of a particular component of social systems; *Promotionals* seek to address what they consider as pressing ecological or humanitarian problems; *Anchoreds* present as Promotionals but are grounded in Sectionals.” In order to have the power to call for special meeting or to have the voting rights, Promotions is said to have been purchased stocks in the corporations so that they could have some voice (Haigh and Jones, 2006).

In addition to pressures from public and NGOs, there is another driver that has a critical role in forcing and helping companies comply with environmental and social regulations which is the governmental body. For example, in 1995 European Commission introduced the EU Eco-Management and Audit Scheme (EMAS) which is a management instrument for companies and other organisations to evaluate, report, and improve their environmental performance. It is said that EMAS’s objectives are: improve its environmental and financial performance and communicate its environmental achievements to stakeholders and society in general. Today, EMAS has registered more than 4,000 organisations and approximately 7,500 sites. Apart from that, there is another prominent organisation that cannot be missed which is the International Organization for Standardization (ISO). ISO which is an

independent, non-governmental international organization with a membership of 162 national standards bodies has published 20,500 international standards. The emergence of these standards and tools not only enforces the regulations but also helps companies in achieving their sustainability goals.

The last but also one of the most important factors, that drives businesses to be more sustainable and to think of applying sustainable procurement in their value chain, is customer's demand. Kiron et al. (2012: 71) claimed that "Consumers today have higher expectations that brands deliver sustainable products: sustainably sourced, produced and packaged but remaining competitively priced" while Verbeke et al. (2007) also argued that sustainability and ethical issues were important elements to consumer's buying behaviour when considering the benefits of buying non-sustainable products. In addition, Choi and Ng (2011: 280) suggested that "sustainability information has a significantly positive impact on the evaluation of the company and purchase intent." The authors implied that consumers do care very much about the companies' commitments and strategies towards sustainability, and the consumers would only favour the companies that are more sustainable and responsible. Moreover, Laroche et al. (2001) claimed that some consumers, who are conscious about their health and the quality of products that they purchase, are willing to pay more for the environmental friendly products that were sourced sustainably. It seems that the information regarding the products such as where and how was it sourced? How was it made? etc. is very important to the consumers who are more and more conscious about their health as well as the environment in which they are living. **Table 3** below summarised the drivers of the sustainable sourcing from the previous studies:

Table 3: Summary of the drivers of sustainable sourcing

Authors/Year	Internal Drivers	External Drivers
Gabzdylova et al. (2009)	<ul style="list-style-type: none"> • Commitment of the management • Employees' demand • Organisational culture • Internal pressure 	<ul style="list-style-type: none"> • Customers' demand • Pressure from investors, community groups, competitors, etc. • Regulations
Haigh & Jones (2006)	<ul style="list-style-type: none"> • Awareness of top management • Internal pressure of the competitions • Orientations 	<ul style="list-style-type: none"> • Pressure from consumers and investors • Regulatory pressures • Pressures from NGOs and social groups

2.1.3 Benefits of sustainable sourcing

“Companies cannot be leading edge in sustainability if they are not leading edge in sourcing and procurement.” (IDH, 2015: 9). That is even more relevant since procurement is one of the first functions that work with suppliers and its decisions also have impacts on the final products that companies sell to the consumers. Although procurement had been always considered as clerical function, but in recent years it has transformed from a back office function to become a widely recognised source of cost savings, relationship building and competitive advantage (Accenture, 2008). Moreover, the research from

Accenture (2008: 5) pointed out that there is a link between effective procurement and financial performance since it claimed that “procurement masters achieve procurement savings that are 30 percent higher than low performers”. Therefore, it is believed that sustainable sourcing is very beneficial for the company.

2.1.3.1 Increase turnover

More and more consumers are looking for green products, and they are willing to pay more for them. According to the new study of AC Nielsen in 2014, 55% people are willing to pay more for products and services provided by companies that are committed to positive social and environmental impact. It is obvious that companies can command for the premium prices for their green products that are sourced sustainably and responsibly. Additionally, McWilliam and Siegel (2001) claimed that even though adopting sustainability to the business would increase the cost, but it could still maximise profits of the business while simultaneously satisfying the demand of sustainability from the stakeholders. It would be a win-win strategy for businesses since they can grow the revenues while simultaneously cut their environmental impacts.

Last but not least, integrating sustainability into the business strategy would help companies differentiate itself from the competitors and ultimately, revenues would grow thanks to the loyalty of the consumers to this differentiation. Bhattacharya and Sen (2004: 19) claimed that “companies that are perceived to have distinguished themselves on the CSR platform seem to enjoy a loyal following among a segment of their customers.” And “If you keep supporting what your customers believe in, they keep coming back”. Retaining consumers is cheaper and more profitable than investing on recruiting new consumers and it has always been true until today. Thus, it is obvious that loyalty of consumers to the companies’ sustainability would be the cash cow for the companies in the long-term.

Moreover, Bhattacharya and Sen (2004) also argued that consumers are very willing to talk and share with their families, friends, colleagues, etc. about the socially responsible

companies which would open a huge opportunities for the businesses not only to have more loyal customers but also to recruit more new customers without wasting any money on promoting.

Sustainability or sustainable procurement in particular not only helps businesses keep its consumers but also recruits more consumers and therefore it is such a great opportunity for businesses to grow its market share and turnovers. That is why Unilever was very ambitious to say that it wants to double the business while reducing its environmental impacts at the same time.

2.1.3.2 Long-term cost savings

“Savings are being achieved through standardisation, material reduction and ecological improvement due to recycled material content, end-of-life recycling and carbon efficient sourcing” IDH (2015: 15). The most prominent example is the small is beautiful campaign of Unilever’s deodorant line of Axe, Rexona and Dove. By reducing the size of the compressed bottle of deodorant but still keeping the same quality and quantity of the product, Unilever has successfully cut down the waste and carbon footprint from the packaging and it obviously gave Unilever a very competitive cost advantage over the competitors.

Furthermore, sustainable sourcing assures that businesses can avoid supply chain and raw material sourcing disruptions that risk to brand and reputation of the companies. It helps prevent firms from missing opportunity cost due to the disruption of supply and out of stocks at the point of sales. According to Reed and Willis (2012: 40) from PwC “If such supply chain disruption and reputational damage are not addressed quickly, the short-term financial losses may become more serious strategic issues as competitors move in to seize lost market share.” That is really a long-term risk the entire business. For example, the devastating flooding occurred in Thailand back in 2011 severely impacted more than a thousand factories and caused the disruption for the global hard drive supply which ultimately forced global PC maker such as Acer cut down its sales projection that quarter

from 5-10%. In addition, it also pushed the price of the global hard drive market to increase nearly 10% due to that disruption (New York Times, 2011; PwC, 2012). There are numerous other cases of supply chain that have big impacts on companies' profits due to unsustainable procurement, thus it is very critical for the companies to rethink about its procurement practices if they want to grow and last.

2.1.3.3 Risk management

Sustainable procurement could help reduce risks as in the case of supply disruption due to the causes of natural disasters or mismanagement (using child labour, forced labour, worker safety, etc.). For example: Nike's scandal of child labour and unsafe working condition in Vietnam in 1997 became a global scandal and eventually forced Nike to apply its U.S. standard rules internationally (NY Times, 1997 & 1998). As Huq et al. (2014) already suggested those tragedies such as the collapse of manufacturing building in Bangladesh could be evitable if sustainable sourcing is applied and manage carefully.

Even more, there is another bigger risk that could have a huge impact on the business's reputation if the company does not source its materials responsibly and sustainably, that is a risk from product safety and quality. For example: according to BBC (2010) in 2008, people found out melamine in milk which had killed six babies and made 300,000 ill. That was one of the biggest disasters of the dairy industry. And in 2010, it was found that the Chinese supplier was providing expired meats for McDonald, KFC and other fast-food chains in China (Fortune, 2014). As a result, it is very critical to the fate of the businesses that do not take sustainability into account seriously, because doing that they could avoid many tragedies as well as reputation damage and reverse that disadvantage into potential opportunities. That is one of the key benefits of sustainable procurement.

2.1.3.4 Competitive Advantage

Sustainable procurement can help build intangible assets which are brand and image of the business. Accenture (2008) argued that sustainability in sourcing can help enhance the brand and nurture a reputation for its social and environmental responsibility. Furthermore, sustainability helps businesses reduce transaction costs over the others thanks to the credibility or mutual trust which had been accumulated thus decreasing the time of negotiation and complicated requirements (Williamson, 1985; Hosmer, 1995). Meanwhile, Porter and Kramer (2006: 13) stated that “Strategy is always about making choices, and success in corporate social responsibility is no different. It is about choosing which social issues to focus on.” And “Organizations that make the right choices and build focused, proactive, and integrated social initiatives in concert with their core strategies will increasingly distance themselves from the pack.” For example: the authors took the example of Toyota Prius, the innovative hybrid vehicle that can use either electric or gasoline. The application of sustainability initiatives in the business worked since it created competitive advantage and environmental benefits together. It was then voted the car of the year in 2004 and its success had been proven when Ford and other automobile companies were asking to license that technology from Toyota.

Similarly, Galbreath (2008) concluded that “Firms who better understand their social responsibilities and who begin to more adequately explore how they can build CSR into strategy are likely to reap the rewards of improved competitive positions in the future, to the benefit of their shareholders, but also to the benefit of society at large.”

In conclusion, sustainability not only gives firms credibility and trust but also greater competitive advantage over the competitors if they know where they should go. Sustainable procurement is not a guarantee that companies would succeed, but businesses must know where to use their strengths in order to leverage their advantages. All the key benefits of sustainable sourcing from previous studies are summarised in the **Table 4** below.

Table 4: Summary of benefits of sustainable sourcing

Authors/Years	Benefits of sustainable sourcing
Dutch Sustainable Trade Initiative (IDH, 2015)	<ul style="list-style-type: none"> • Competitive advantage
Accenture (2008)	<ul style="list-style-type: none"> • Cost savings • Relationship building • Competitive advantage
Bhattacharya & Sen (2004)	<ul style="list-style-type: none"> • Profitability
McWilliam & Siegel (2001)	<ul style="list-style-type: none"> • Customer loyalty
Reed & Willis (2012)	<ul style="list-style-type: none"> • Risk reduction
Huq et al. (2014)	<ul style="list-style-type: none"> • Risk reduction
Porter & Kramer (2006)	<ul style="list-style-type: none"> • Competitive advantage
Galbreath (2008)	<ul style="list-style-type: none"> • Competitive advantage

2.2 Sustainable marketing

The term sustainable marketing is quite new not only to the business managers but also to the customers, so what is it exactly? Is it different from green marketing? Is it related to green labels that the consumers always see on the packaging of the products? Those

concerns will be explained in the following sections and it they will also help define the new role of marketing in the sustainability era.

2.2.1 Greenwashing

According to Dahl (2010: A247) “greenwashing” is “the term for ads and labels that promise more environmental benefit than they deliver”. He explained that, in an attempt to gain more market share by luring more consumers to the new trend of sustainability, several businesses made some unchecked or overblown claims of sustainability or environmental friendliness which could eventually created public confusion or harmed the consumers’ health. Similarly, Parguel et al. (2011) argued that CSR could help business enhance their corporate image but greenwashing claims could mislead the consumers into identifying the true sustainable business and ultimately makes the CSR of the truly sustainable business less effective.

On the other hand, Delmas and Burbano (2011) stated that apart from negative effects on consumers, greenwashing can undermine confidence of stakeholders which eventually leads to the lack of trust of stakeholders for the business to give the business any rewards for their CSR activities. It is true that lacking the confidence and supports of stakeholders, the firm will not be able to achieve its sustainability goals. Moreover, according to Delmas and Burbano (2011), besides other reasons that influence directly on greenwashing, the main reasons that drove greenwashing were the lack of information about firm environmental performance and the punishment for the firm that had greenwashing activities. That is obvious, if a plan is not followed up regularly, it will easily have issues no matter how perfect you had prepared for it (**Figure 1**).

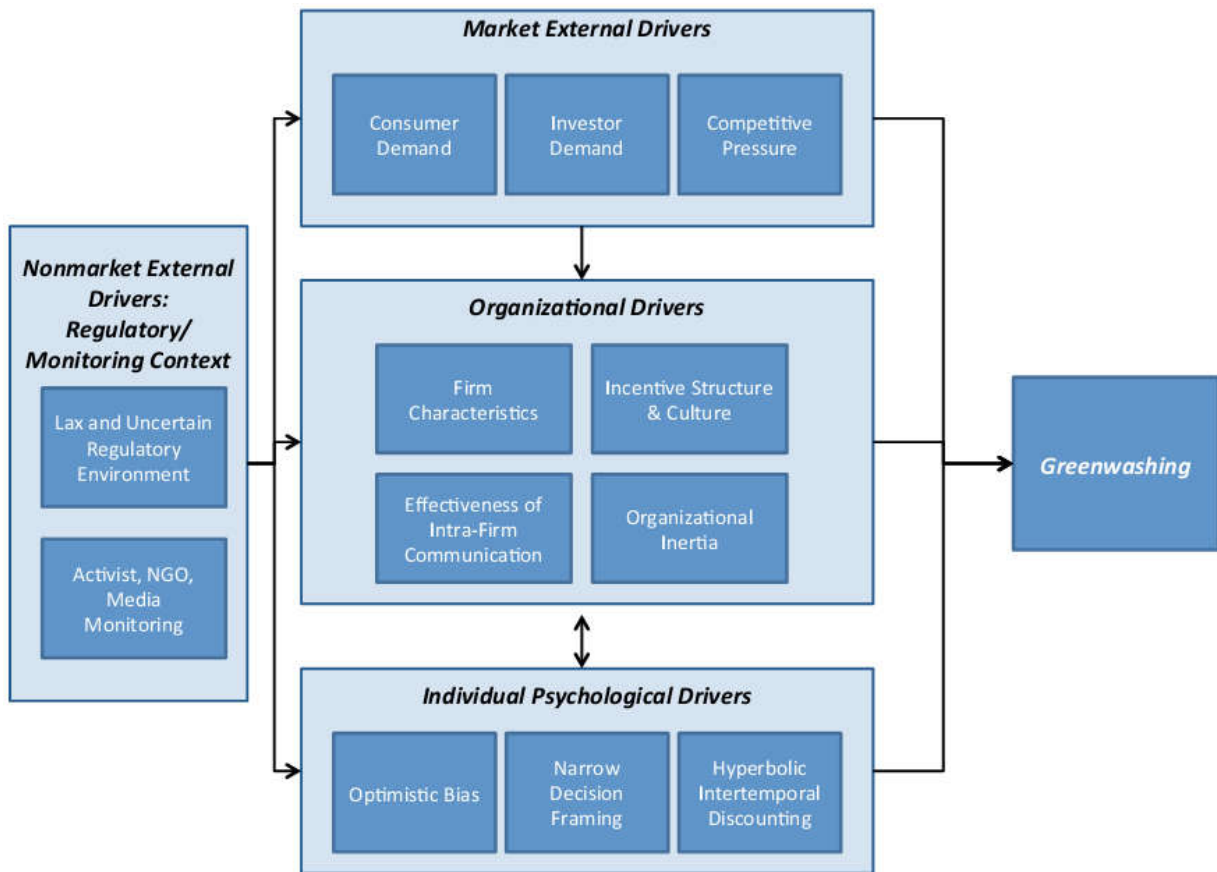


Figure 1: The drivers of green washing. (Delmas and Burbano, 2011)

2.2.2 Green labels

“An ecolabel or green label is a claim by a firm that it has employed environmentally sensitive production or distribution methods.” (Bruce and Laroia, 2007: 276). The authors argued that those labels are used by the companies to communicate to consumers about their CSR activities and therefore, the companies might charge the consumers a premium for those green products, which is the niche market of organic products. While Global Ecolabelling Network defined ecolabel as “a label which identifies overall, proven environmental preference of a product or service within a specific product or service category.”

According to Ecolabel Index website, currently there are more than 400 certified ecolabels in nearly 200 countries and 25 sectors. That is enormous when seeing the chart of ecolabels' growth below and moreover these statistics have not counted uncertified claims yet. **(Figure 2)**

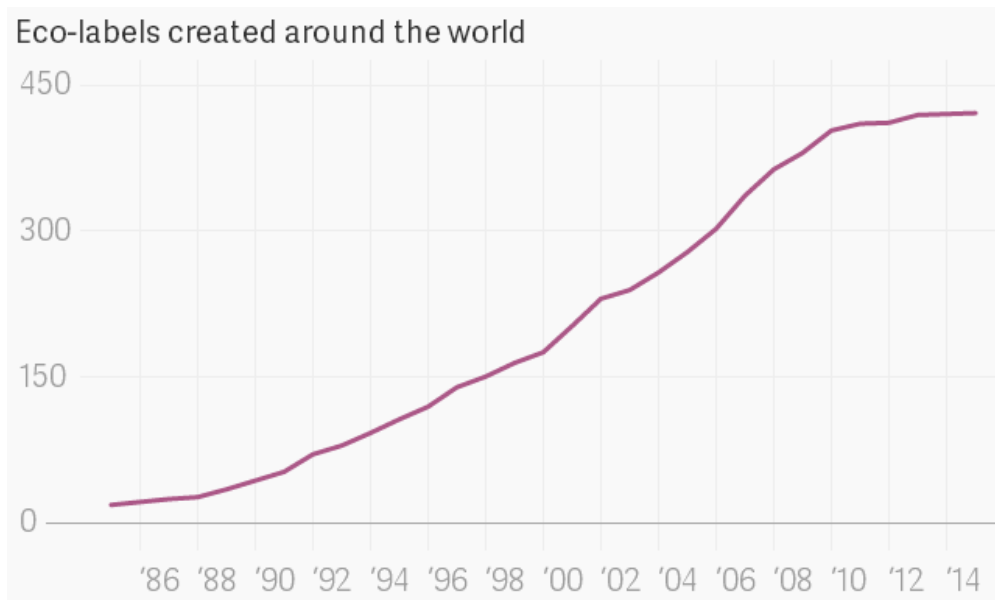


Figure 2: Eco-labels created around the world (<http://qz.com/521251/there-are-more-than-450-meanings-behind-green-labels/>)

According to Dahl (2010), among hundreds of ecolabels, there are only a few of them could be recognized broadly and could be trusted by many people such as: Fair Trade, Rainforest Alliance, USDA Organic, Energy Star, etc. Other labels could be obtained via self-certification, which means the firm could buy that label if it wants without any audits from the third party like the reliable labels. That raises a big question for the companies that want to use ecolabels as a part of their marketing strategy to position its products as the organic and convince consumers to pay a premium for these products that were labelled. How sustainable business could gain credibility of consumers through those ecolabels? That is really a challenge but also an opportunity for the marketing team when thinking of

transforming to the sustainable marketing. So what sustainable or green marketing really is?

2.2.3 Definition of Sustainable Marketing

According to Handelman and Arnold (1999), environmental integration of marketing is not an option anymore but a must which gives firms competitive advantage. Meanwhile Menon and Menon (1997) stated that effective green marketing must satisfy two conditions which are gaining firms' economic and meeting social performance objectives. Moreover, Liu et al. (2012) argued that sustainable marketing could be view with three different views:

- The first view of sustainable marketing is to targeting and meeting green consumers' by promoting environmental friendly products.
- While in the second view, it is suggested that companies combine the traditional marketing mix with triple bottom line objectives.
- And last but not least, in the third view, the authors argued that sustainable marketing should go beyond linking green consumers and marketing mix but should expand its scope to demand management.

On the contrary, Charter et al. (2015) argued that green marketing and sustainable marketing are separate, in which sustainable marketing is more comprehensive. According to Charter et al. (2015: 12), green marketing focuses more on environmental issue since it is defined as "A holistic and responsible management process that identifies, anticipates, satisfies and fulfils stakeholder requirements, for a reasonable reward, that does not adversely affect human or natural environmental wellbeing". Meanwhile, the authors claimed that sustainable is more comprehensive and has greater impact on sustainability since it can meet triple bottom line goals whist simultaneously satisfying stakeholders. That should be the most prominent definition of sustainable marketing. The big question is how could sustainability do that? It lies in the traditional branding strategy that needs transforming to the purposeful branding strategy. Reingardt et al. (2015) mentioned in their work that "purposeful branding" is what the brand can bring to the consumers beyond its

functions which satisfy the basic needs of the consumers. The authors also argued that purposeful branding should not emphasize mostly on sustainability's technical words such as climate changes, 100% recycle materials, deforestation, etc. but having more focuses on storytelling and value propositions to make the brand more appealing to the consumers. Purposeful branding helps companies not only achieve their sustainable marketing goals but also command premium prices for their green products whilst simultaneously educating and changing consumers' behaviours (Charter et al. 2015; IDH, 2015).

2.2.4 Roles of sustainable marketing

In addition to the traditional role of marketing that helps sell products and services and educate consumers, sustainable marketing has a bigger responsibility which is to change the consumer's behaviours. Bhattacharya and Sen (2004) suggested that sustainability involvement of the companies could motivate consumers to modify their behaviours. The authors gave an example how the companies that were marketing organic food products such as Stonyfield Farm, Newman's Own could influence the consumers to change their eating habits by increasing the proportion of organic foods in their meals.

Likewise, Dobson (2007: 282) argued that "behaviour driven by environmental citizenship considerations is more likely to last than behaviour driven by financial incentives." The author took a real example of car limitation of in the city centre of Durham city: regarding the fiscal policies, it is said that people stop driving to the city centre because of fear of a fine while from an environmental citizenship point of view, people drive less in general because they know that car driving contributes to global warming. Although the former point of view would have an immediate effect on the behaviour but it was not sure that it would last for a long time since that behavioural change came from the obligation rather than the latter which was based on the volunteerism and acknowledgement of the people. It could be concluded that financial incentives could change people's behaviour almost overnight, but it would take time for environmental citizenship initiatives to motivate people to change completely, but that long-term change will last longer for sure.

Furthermore, Gowland (2010) implied that “The brands that will flourish in the 21st century will be those that can keep meeting people’s primary functional needs while reassuring them that their choice is a contribution towards achieving citizen desires and aspirations.” According to the author, the role of sustainable has evolved from basic function as a tool to promote the products or services to the consumers to meet their needs to the function of sustainability as a tool to convince consumers to change their behaviours in order to meet the environmental and social needs. It is called sustainable or responsible branding. Gowland (2010) also argued that consumers’ behaviours account for three quarters of all carbon emissions; therefore it is very critical to have responsible brands that could lower the carbon footprint and also be able to modify consumers’ behaviours. Similarly, Jones et al. (2008) also proposed that sustainability has to understand and to change the consumer behaviour and moreover, it has to influence attitudes and beliefs of consumers towards the environment and society. **Table 5** is a brief summary of all the definitions of sustainable marketing which were defined by different authors.

Table 5: Summary of definitions of sustainable marketing

Authors/Years	Definition of Sustainable Marketing
Menon & Menon (1997)	<ul style="list-style-type: none"> • Green marketing must gain firm's economic and meet social performance objectives.
Handelman & Arnold (1999)	<ul style="list-style-type: none"> • Marketing must include the environmental aspect.
Liu et al. (2012)	<ul style="list-style-type: none"> • Target and meet green consumers' by promoting environmental friendly products. • Combine the traditional marketing mix with triple bottom line objectives. • Go beyond linking green consumers and marketing mix but should expand its scope to demand management.
Charter et al. (2015)	<ul style="list-style-type: none"> • Sustainable marketing is more comprehensive than green marketing. • Sustainable marketing meets triple bottom line goals whilst simultaneously satisfying stakeholders

2.3 Integration between purchasing and marketing

Regarding the inter-functional relations within the company, there are different types or levels of the relationship, therefore Bocconcelli and Tunisini (2009) used the relationship between marketing and purchasing to categorise it into four types of relationships including: exchange, interaction, interface & integration (**Figure 3**). According to the

authors, they were categorised based on the nature of the structure and the processes of exchange between them. For example:

- In the *exchange* relationship, it is described as a total separate relationship between marketing and purchasing. In that kind of relationship, it does not work regularly with each other, and only sees each other when necessary. (detached structure & isolated processes)
- Meanwhile, in the *interaction* relationship, there are more exchanges between marketing and purchasing. The authors argued that although those exchanges take place in the detached structures with each function has its own objectives, but their repeated and multiple exchanges between each other help increase business efficiency. (detached structure & repeated processes).
- On the other hand, in the *interface* relationship, even though, there have not many exchanges between them, but in the shared structure, marketing and purchasing work towards specific issues or goals. That ultimately helps increase the customer orientation of the business. Compared to the interaction relationship, it seems that there is less interaction between marketing and purchasing but since they work towards the common goal that makes it more effective in dealing with customisation and innovation requests from the customers. (jointed structure & isolated processes)
- Last but not least, the *integration* relationship which could be considered as the highest relationship in terms of structure and processes of exchange between marketing and purchasing, the authors also argued that this kind of relationship can only be found in very few companies. In this situation, marketing and purchasing join each other from the very beginning to work towards the common goals and they will be constantly work and exchange with each other to achieve their goals. (jointed structure & repeated processes).

Similarly, Santos and D'Antone (2014) also suggested that integration is the highest level of the relationship. But unlike the study of Bocconcelli and Tunisini (2009), Santos and D'Atone (2014) argued that in order to exist, integration would require the combination of *coordination* and *cooperation* dimension. While the *coordination* dimension includes three

concepts: interaction, exchange and alignment that describe the frequency of communications as well as information exchange between each other, the *cooperation* dimension which has two concepts: mutuality and collaboration which define the common goals, objectives and strategies of two functions (Santos & D'Antone, 2014) (**Figure 4**).

Since the nature of the study from Bocconcelli and Tunisini (2009) focuses on the level of the type of relationship between two functions, its framework will be used as the scale to see the level of the relationship between marketing and procurement. Whilst the study of Santos and D'Antone (2014) emphasises on the conditions that lead to the existence of integration, thus its framework will be used as a tool to analyse whether Unilever was successful in integrating its marketing with sustainable procurement.

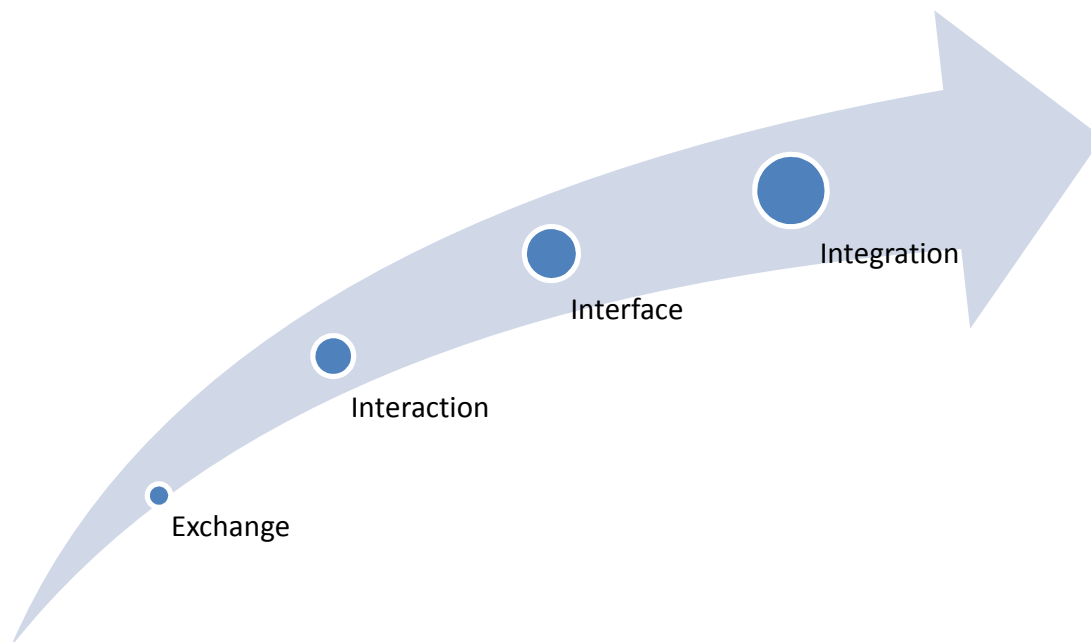


Figure 3: Level of relationship between marketing and purchasing (Adopted from Bocconcelli and Tunisini, 2009)

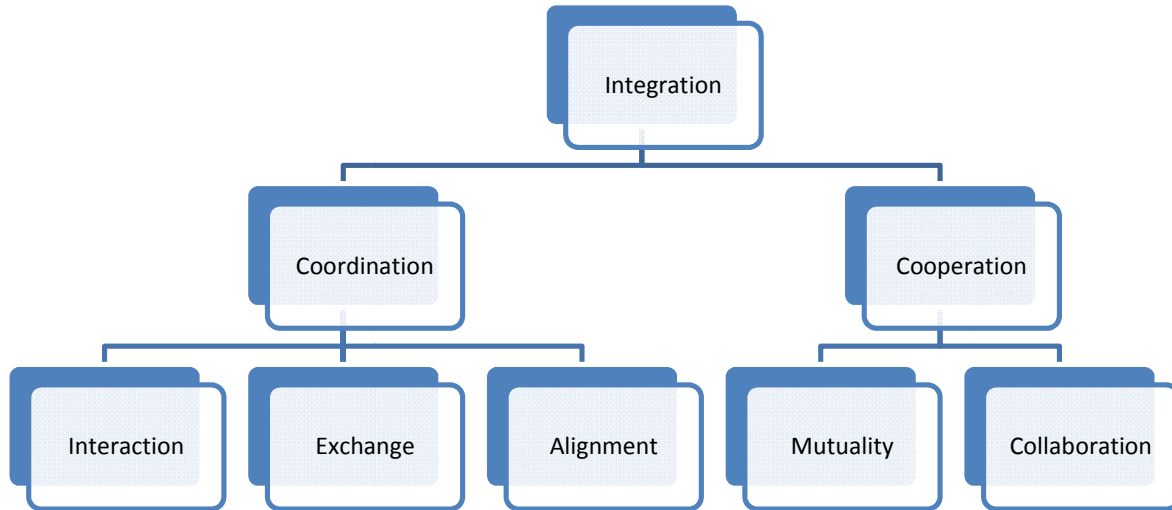


Figure 4: The conditions to reach integration level (Adopted from Santos and D'Antone, 2014)

For the consumer packaged goods (CPG) companies such as Unilever, Nestle, Procter & Gamble, etc. that are driven by marketing and branding, the collaboration within marketing itself and with other functions within the company is very critical to the success of the company. A good example is the relationship between sales and marketing. Although it is always thought that sales or marketing would not be able to work separately without each other but their relationship is not always good. Sales people accused that marketing had not understood consumers well and therefore its marketing four Ps (Product, Price, Placement and Promotion) did not work while marketing blamed sales for short-term sales at the expense of longer-term profits (Kotler et al. 2006) but the authors also argued that when marketing and sales collaborate to work together, it could have a great impact on the business' performance. Similarly, Dewsnap and Jobber (2000) and Troilo et al. (2009) claimed that sales-marketing integration would not only give customers superior values but also have positive impact on market performance. Likewise, Peterson et al. (2015) proposed that when sales and marketing align would impact on the business' performance,

in particular it would give potential high ROI (return on investment). Furthermore, strong alignment of marketing and sales could have a higher rate of customer retention and a growth in billing size, the authors added.

Apart from the relationship between sales and marketing, there are a few studies about this cross-functional collaboration. For example: marketing with R&D (Gupta et al. 1986; Song and Thieme, 2006; Leenders and Wierenga, 2008), with manufacturing (Karmarkar, 1996; Narasimhan and Das, 2001), with finance (Anderson, 1981; Zinkhan and Verbrugge, 2000), with operations (Mahajan, 1994), with production planning (Taylor and Danderson, 1979). Given the increasing importance of sustainability in recent years, there are more and more companies are boasting about their sustainability scheme such as: Unilever Sustainable Living Plan, Nestle with Creating Shared Value, L'Oreal with CSR commitments, etc. Further, sustainability report has also become an integral part of the annual reports of these companies. Sustainability has become a must for any business that wants to survive. The question are where and how to become a sustainable business? According to Turner and Houston (2009), in order to start a green or sustainable business, sourcing and procurement would be one of the best starting points for launching a green initiative. The authors added that sustainable sourcing takes into accounts many factors such as: transportation, materials, energy source and packaging design.

In addition, IDH (2015) already mentioned above in the sustainable sourcing section that “sustainable sourcing oversees the whole process from acquiring materials, transporting and disposing them.” Therefore, it is believed that sustainability objective of the companies would not be achieved without adopting sustainable sourcing. Further the responsible procurement is also an integral part of any businesses’ sustainability strategy. Even though there is an increasing number of articles studying about the integration between marketing and supply chain in recent years (Kotler and Levy, 1973; Bregman, 1995; Juttner et al. 2007; Piercy, 2009; Bals et al. 2009; Ivens et al. 2009; Sheth et al. 2009; Guercini and Runfola, 2009; Bocconcelli and Tunisini, 2009; Smirnova et al. 2011; Pardo et al. 2011; Liu et al. 2012; Kenneth W.Green Jr et al. 2012; Brindley and Oxborrow, 2014), but only a few of them studied about the alignment of marketing with sustainable procurement in

particular and none of them studied about that relationship in the B2C (Business-to-Consumer) context. As it was mentioned above, the integration between marketing and sourcing in the context of sustainability has become more important as it would be the future of many businesses. Therefore, this thesis emerges in order to study more about that relationship and what values it can bring to the business.

2.3.1 Drivers of the integration between marketing and procurement

Even though the studies on the integration between marketing and procurement remain limited, but the existing studies on the relationship between marketing and procurement have suggested some key motives behind the integration of marketing and procurement **(Table 6)**

Table 6: Summary of facilitators of the integration between marketing and procurement

Authors/year	Drivers
Sheth et al. (2009)	<ul style="list-style-type: none"> • Shift of marketing from product-focused to solution-oriented which is based on customization. • The more countries have joined WTO, the more free markets have emerged which motivates the free trades and also increases outsourcing activity. • Customers become more diverse, so do businesses. • Significant development of technology. • Markets have globalized, so have B2B customers.
Piercy (2009)	<ul style="list-style-type: none"> • Market has changed from mass production to solutions and experience. Customer relationship is very important. • B2B customers are more complex and demanding.
Guercini & Runfola (2009)	<ul style="list-style-type: none"> • Global sourcing topics such as: ethics, biocompatibility, made in, anti-counterfeiting, etc. give increasing pressures to the company.

Initially, Sheth et al. (2009) proposed above that there were five reasons that motivated the collaboration of marketing and purchasing. But ultimately the authors came up with the similar conclusion to the one of Piercy (2009) that there were two main motivations which drive purchasing and marketing to integrate:

- As firms shift away from product-oriented to solution-oriented, thus marketing needs to collaborate more with procurement to ensure the quality of end products for the customers. That is critical since now the competitive advantage of the firm lying in the ability of the firm to manage this collaboration.

- And since B2B customers have become more diverse and more “customer-centric”, marketing needs to work more closely with procurement in order to make more customized offerings.

On the other hand, Guercini and Runfola (2009: 890) claimed that “when traceability is a market tool, there is a greater integration between marketing and purchasing within the firms”. The authors also argued that this traceability is especially suitable for the companies that want to share information about their products to the public and to the customers. In addition, Guercini and Runfola (2009) suggested that the degree of integration of marketing and procurement would depend on the intended use of traceability. The authors argued that when the traceability acts as the market tool, it will tighten the collaboration between marketing and procurement since it could help create value for the market and the business relationship. On the other hand, if the traceability acts as the inter-organisational control tool, it will loosen the relationship between sourcing and procurement since it only has an internal impact. That is why it would be considered as an administrative tool only and thus will increasingly separate marketing and purchasing (**Figure 5**).

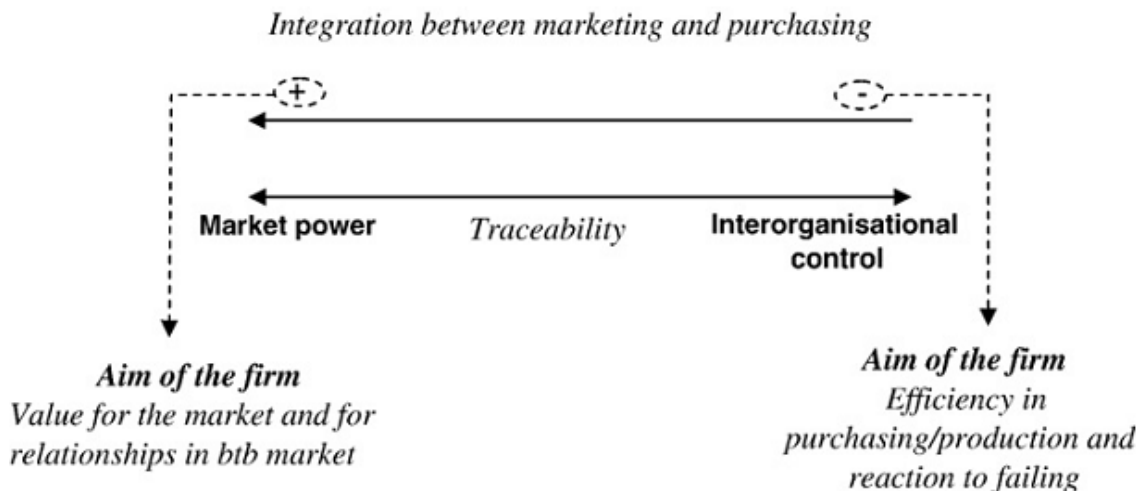


Figure 5: Degrees of integration between marketing and purchasing: the role of traceability (Guercini and Runfola, 2009)

Even though there are more and more studies about the relationship between procurement and marketing, but most of their topics were focusing on the products or services of the Business-to-Business sector. For example: the drivers that Sheth et al. (2009) and Piercy (2009) mentioned above were more about the relationship between business and business rather than business and consumer. Meanwhile the traceability driver of Guercini and Runfola (2009) could be applied for both B2B and B2C and moreover, it could be one of the important factors of sustainable and responsible procurement.

Apart from the three identified drivers of those previous studies: transformation of marketing from product-oriented to solution-oriented; requirement of much more customer-centric and traceability as a market tool, there could be other motivations that drive marketing to collaborate with purchasing in order to achieve the sustainability goals.

2.3.2 Barriers of integration between purchasing and marketing

Even though Sheth et al. (2009: 865) claimed that “integrating purchasing with marketing is both inevitable and beneficial” but it does not mean that marketing and procurement could be integrated smoothly without any barriers. Previous studies have also pointed out many barriers of the in the relationship between marketing and procurement (**Table 7**)

Table 7: Summary of barriers of the integration between marketing and procurement

Authors/Years	Barriers
Williams et al. (1994)	<ul style="list-style-type: none"> • Unequal perception about the role of each other • Lack of time for the meeting
Sheth et al. (2009)	<ul style="list-style-type: none"> • Strategies and priorities of marketing & procurement are independent and contradictory to each other. • In the classic industry, marketing & sourcing are separated by manufacturing & operations
Bals et als. (2009)	<ul style="list-style-type: none"> • Lack of awareness • Lack of skills • Lack of motivation • Lack of opportunity
Humphreys et al. (2009)	<ul style="list-style-type: none"> • Different motivation and interest

There are a few studies with different results of the barriers of procurement and marketing. Williams et al. (1994) argued that the biggest barrier of marketing and purchasing was the different perception about the role of each other. According to the authors, purchasing was considered by marketing as a clerical function and it had to follow the order of marketing. Similarly, Porter (1985) claimed that procurement was a part of support activities which were responsible for assisting the primary activities such as marketing & sales, operations, etc. (**Figure 6**). As a consequence, that perception created a distance between them and since it was not an equal relationship, and purchasing had no influence, there would have no integration between marketing and purchasing at all.

Besides, another barrier that distanced marketing and procurement was the difference in strategies, responsibilities (Sheth et al. 2009; Humphreys et al. 2009). Since each function has different objectives, it would not be easy for them to spend time working for the other or trying to work with the other. It is like two people walking on two different paths with different destinations. Consequently, it would be difficult for the procurement and marketing to collaborate without a common goal. Likewise, Sheth et al. (2009) also argued that priorities and KPIs (key performance indicators) of marketing and purchasing were independent and conflicting. While purchasing main responsibility was to focus on saving costs, marketing's priority was to communicating and selling to more people through their spending on marketing activities such as TV commercials, activations, POSM (point-of-sales materials) at the retailers, etc. They have different ways to go so it seems very difficult for them to align and reach consensus.

On the other hand, Bals et al. (2009) also proposed various barriers such as lack of awareness, lack of skills, lack of motivation and lack of opportunity. Generally, they are the gaps between marketing and procurement when working together. But these gaps could be linked to the differences in the priorities of them.

Last but not least, Sheth et al. (2009) also argued that in the traditional industry, marketing and purchasing were separated by manufacturing and operations (**Figure 7**). While purchasing has an important role at the upstream of the business which is to deal and work with the suppliers not only to make sure the business would pay the best price for its raw materials but also to assure the continuous supply for the business by building a strong bond with the suppliers, marketing at the downstream of the business has a very critical responsibility which is to build relationship with the customers so that it could convince customers to buy its products.

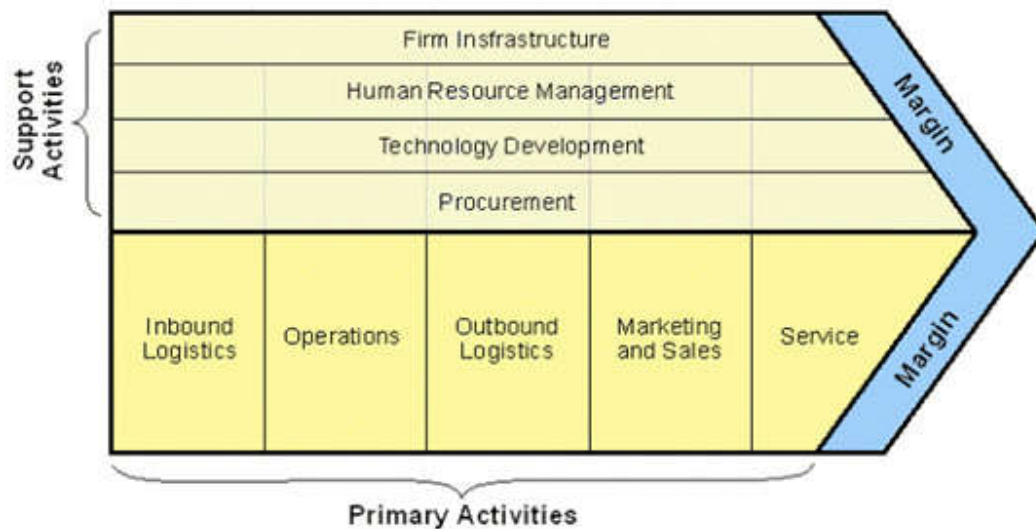


Figure 6: Porter's Value Chain (Porter, 1985)

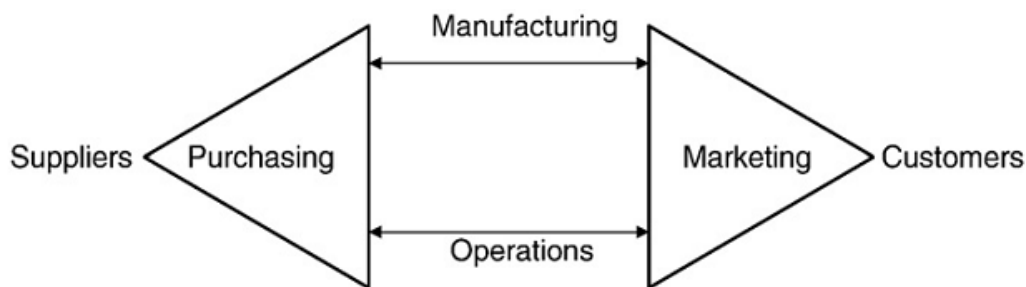


Figure 7: Distinct foci of marketing and purchasing (Sheth et al. 2009)

In summary, it could be implied that there were two biggest barriers of integration between purchasing and marketing: the perception about the role of each other and differences in their priorities and goals.

Based on previous literature review (Williams et al. 1994; Sheth et al. 2009; Piercy, 2009; Guercini and Runfola, 2009; Bals et als. 2009; Humphreys et al. 2009), it could be implied that primarily, there were three drivers and two barriers of the integration between

marketing and procurement. Although a number of articles studying about this topic have been increasing, but its focus was still limited to the scope of business-to-business (B2B) context. In addition, the drivers of sustainable sourcing as well as sustainability marketing also indicated that there might be other motivations for marketing and procurement to collaborate. Therefore, this thesis emerges in order to research and dig deeper to the relationship between sustainable procurement and marketing to explore more reasons behind the integration between sourcing and marketing with the focus on the business-to-consumer (B2C) sector.

2.3.3 Values from the integration of sustainable procurement and marketing

Juttner et al. (2007) suggested that collaboration between marketing and sourcing could be a source of superior customer value creation. Further, strong integration between procurement and marketing could give companies competitive advantage over their competitors. For example the success of operational efficiency thanks to coordination between marketing and supply of Dell and Zara (Margretta, 1998; Walker, Bovet and Martha, 2000; Sheth et al. 2009) proves that collaboration of marketing and procurement is very critical to the company. Likewise, Sheth et al. (2009) concluded that integration of marketing and purchasing not only brought to businesses new sources of competitive advantages but also helped them develop new effective solutions for customers. Further, the authors argued that alignment of marketing and purchasing could help transform purchasing to the new and bigger role with more responsibilities. That ultimately extended the role of purchasing and increased the importance of purchasing to the marketing as well as the whole business which focuses on customisation. Moreover, it was suggested that collaboration of marketing and procurement would significantly have a positive impact on business performance (Bregman, 1994; Smirnova et al. 2011; Green et al. 2012).

Last but not least, Sharma et al. (2010) claimed that to achieve the sustainability goals, it will require greater inter-functional coordination between marketing and the supply chain. It means that marketing must expand its current role to be involved more in demand and

supply management. Instead of being the leader of the project with purchasing working as a support function, marketing must become a partner of purchasing to work with them and together that alignment could help businesses achieve its sustainability goals.

3. Research Methodology

A full framework and process of how to conduct of research could be built based on the research onion with six different layers (Saunders et al. 2009). Each layer presents different steps of the research (**Figure 8**). Below each layer will be gone through in order to understand the method that was applied for this study and why it was chosen over the others.

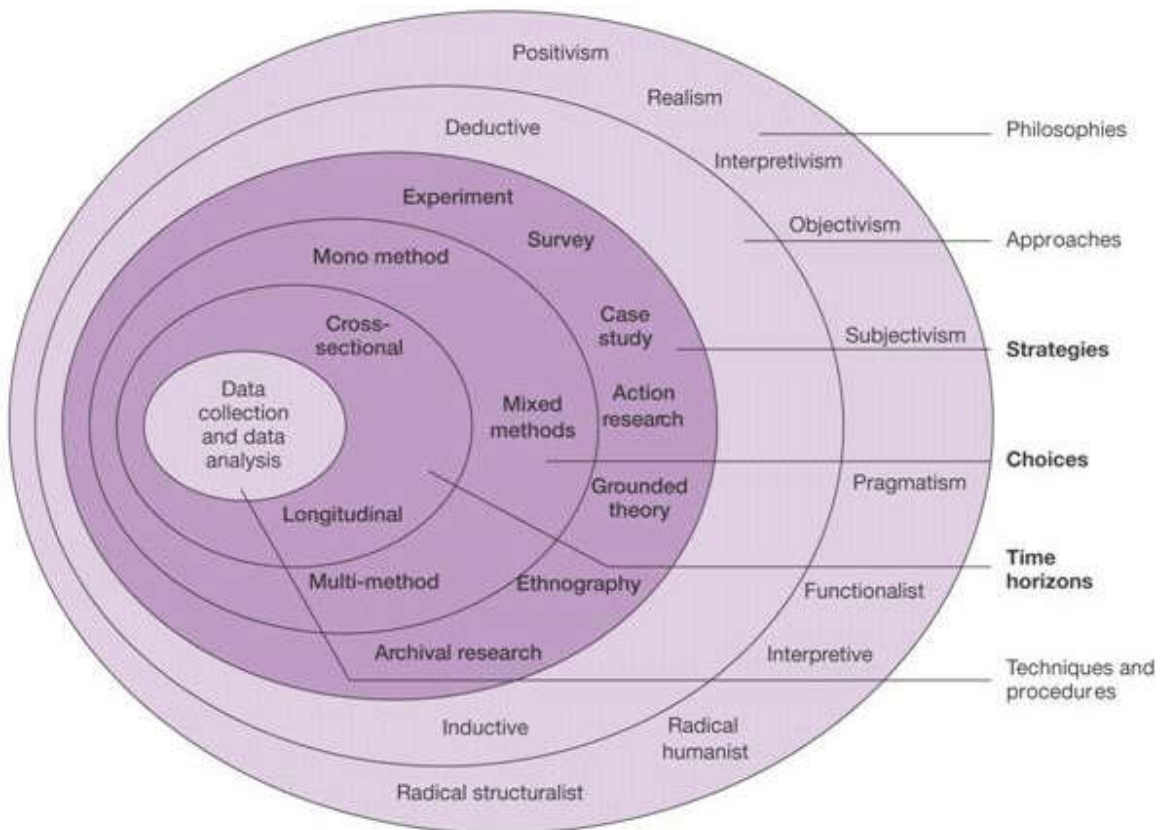


Figure 8: Research Onion (Saunders et al. 2009)

This chapter will be organised as following: it will start with the research approach which will talk about how this research was conducted. Next is the research design which consists of research strategy and research choice that will be applied. Then it will be about the collection of data ranging from literature review, case firms selection to interviews and

supporting documents. Last but not least, those data will be analysed and interpreted and reported.

3.1 Research approaches

This study adopts an inductive approach because it wants to explore and find out new drivers and barriers behind the integration of marketing and procurement, from that a new theory of the marketing and purchasing integration will be built. Thus, data must be collected first from literature review, supporting information and interviews so that they could be analysed and interpreted and then using that result in order to come up with the new theory. This study will adopt a qualitative approach based on inductive approach which collects data to build theory. According to Kothari (2004: 5), qualitative approach “is concerned with subjective assessment of attitudes, opinions and behaviour”. While Saunders et al. (2009: 151) argued that “qualitative is used predominantly as a synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorising data) that generates or use non-numerical data.” And because the data collection of this study will be collected mainly through interviews, so it is quite appropriate to say that this study will apply the qualitative approach. While quantitative approach is understood as using questionnaire, graph or statistics to generate numerical data.

3.2 Research design

This will be an exploratory study as it aims to delve into the relationship between procurement and marketing in the sustainability context in order to seek as many drivers and barriers of that relationship as possible. According to Robson (2002: 59), an exploratory study is to find out “what is happening; to seek new insights; to ask questions and to assess phenomena in a new light”. It is all about to explore for new findings to understand more about the nature of the integration of marketing and purchasing in the B2C context. When mentioning about the procurement, it would be linked to B2B relations

between two companies or between professional actors belonging to different departments inside the company. However, this thesis was going to explore how these relations work when the end-market of the company is not in B2B but in a B2C context. So far there have various studies which have explored the interfacing issue in companies that operate in the B2B market where companies' customers are other companies. But this study will focus on exploring how the interfacing issue works when the company operates in the B2C market where end customers are consumers. That is why an exploratory will fit best with the nature of this study.

3.3 Research strategy

This thesis is based on a case study carried out at Unilever, a global consumer goods company. So why is a case study? Case study is defined as “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence’ (Robson, 2002: 178). In addition, Morris and Wood (1991) argued that using case study could help understand more about the context of the research. And case study is also often used in the exploratory and explanatory research. Since this thesis aims to explore what is really happening in the daily life of marketing and purchasing in the corporation and how are they interacting with each other by combining many sources of information from interviews with the company's employees and a collection of secondary data (annual report, press releases, newspapers, etc.). Therefore, it is clear to apply a case study for this research.

3.4 Data collection

This study chooses interview as method to collect primary data because interview can help collect valid and reliable information related to the research (Saunders et al. 2009). There are three types of interview: structured, semi-structured and unstructured. Structured interview is based on the prepared and standard questionnaires, and hence sometimes it is called “standardised interview”. In the semi-structured interview, the researcher already

had the theme of the study and will use it to draft the questionnaires although it would be vary depending on the informants. Although both semi-structured and unstructured interview is both considered as “non-standardised interview” but unstructured interview is considered as an informal one since its coverage is very big and it is used to explore in depth a general area in which the researcher is interested. Contrary to the structured and semi-structured interview which requires predetermined questionnaires and understanding of the theme respectively, unstructured interview requires a highest flexibility. The informant is freely to talk anything that is related to the topic of the study. Regarding this study, since the researcher already knew that it was limited to the integration between marketing and sustainable procurement at a consumer packaged goods company and wanted to find out more about the motivations and barriers of that relationship, it will be best to adopt the semi-structured interview as it could give the researcher an inflexibility when seeking for the information.

About the interview method of the study, it would be conducted mostly via Skype or telephones with some key questions concerning the theme of thesis were prepared such as the sustainable procurement and sustainable marketing at Unilever and the daily tasks of people from marketing and procurement. After the interviews, the informants can be reached again by email in case the researcher wants to have further or added information that was somehow missed during the interview. The positions of the informants vary from entry level to the middle level like manager or senior level such as vice-president (VP). The informants are diverse since they are from different functions ranging from sustainability global tea, global procurement of ice cream, global brand building of ice cream, global strategy & business development of foods to global hair care. (**Table 8**)

Table 8: List of informants at Unilever

Position	Function	Method
Manager of traceability programme	Sustainability Business team	Skype
Global procurement of Foods and Refreshing	Foods	Skype
VP of global strategy & business development of Foods	Foods	Telephone
Senior VP of Western Europe Hair Care	Personal Care	Telephone
Global procurement manager of Ice-Cream	Foods	Skype
Global brand building manager of Ice-Cream	Foods	Skype
Global associate brand development manager of Ice-Cream	Foods	Skype

Here was the interview process: an email was sent to the Unilever with the idea of the topic in order to ask for the permission to access to the information. Then the company accepted with an approval forwarded to the appropriate team which was the Sustainability Business and through a point of contact of that team, the researcher was introduced to the informants directly. Then the researcher had to reach the informants via email with brief information about the topic of the thesis so that they could have some ideas of what they should do with the researcher. Because all the informants were based in London, UK so the researcher suggested to carry out the interviews via Skype in 30-45 minutes. After having carried out the interviews, the researchers asked the informants to get back to them by email in case of missing information or needing more information and confirmation. During the interviews, the discussions were recorded in order to make the transcript and to help exploit full information of the interviews.

Maybe somebody would ask why choosing Unilever instead of the other giant consumer goods companies such as Nestle or Procter & Gamble or Coca-Cola or Danone or L'Oreal? The reasons are because Unilever is currently one of the most active companies in adopting sustainability initiatives with the introduction of Unilever Sustainable Living Plan in 2010. Furthermore, with nearly two billion people on this planet use at least one of Unilever's products a day, and Unilever is also one of the biggest buyers of the palm oil worldwide, thus it is believed that Unilever's business has a critical impact on our society. Last but not least, its CEO Paul Polman is also considered as one of the most active CEOs in the area that have many activities such as delivering speeches at the universities, conferences, Davos, sustainability summits, United Nation, etc. to encourage more people to be aware of climate change effects and how critical sustainability is to our life. He is a true leader driven by sustainability and green development. Thanks to him, Unilever has been transformed to be a very responsible business. More information about Unilever and its sustainability activities will be discussed in the next chapter.

3.5 Reliability and validity

The term reliability and validity is very common to any research. Since the researcher cannot know if the result is correct, the only thing he can do is to reduce the chance of getting wrong answers by adopting reliability and validity to his research (Saunders et al. 2009).

According to Kothari (2004: 73) reliability and credibility are parts of sound measurement. The author argued that "Validity refers to the extent to which a test measures what we actually wish to measure" while "Reliability has to do with the accuracy and precision of a measurement procedure". It is difficult to say which one is more important between validity and reliability, but if the information is not valid it will not be reliable and there is no other way around. So it is fundamental to have valid data before checking whether it is reliable or not. In addition, Kothari (2004: 74) also claimed that "A measuring instrument is reliable if it provides consistent results." Thus, it could be understood that the result got from the

interviews must be compared to previous studies in order to check if it was valid so that it could be reliable to use for further analysis.

Although this thesis employed the qualitative approach to collect and analyse data but it was believed that it would weaken the reliability and validity of the findings because the data was not quantified as in the quantitative research. However, this thesis also adopted some strategies when collecting data in order to increase its reliability and validity of the findings. After discussing with the point of contact at Unilever, that person helped to pick up some of the colleagues based on the criteria that had been discussed with the researcher. Then the researcher contacted the informant in order to brief them about this study so that the informant could see whether they could help or not. It was very important that they decided to help voluntarily without any pressure from their boss or anyone else. After that, the researcher discussed with the informants to reach consensus on the schedule and the way to conduct the interview (via telephone or Skype). Because the informants are from various nationalities such as Romanian, British, Dutch, German, New Zealander, etc. so the language of the interview was English. In order to make sure that the researcher could have full information of the interview without missing anything, the interviews were recorded and then transcribed. Because the interview was the semi-structured one with a couple of questions that had been made and sent to the informants, other questions were raised during the interviews based on the stories of the informants. The informants were free to speak whatever they were thinking, although sometimes they were interrupted to be challenged by the researcher but the researcher tried to limit his questions and encouraged the informants to tell the story freely and not to consider it as a Question & Answer session.

Furthermore, to increase the reliability of the answer, the researcher arranged separate interview with each informant even though all the informants had been inform briefly about the theme of the study. Following each interview, the researcher always asked the informant if he could get back to them in order to have further questions. After all the information of the interview was transcribed, it was sent to the thesis supervisor so that the researcher could discuss with the supervisor about the content of the interview as well as the validity and reliability of the information. In case the information was not clear or

insufficient, the researcher would contact the informant via email or asked for another chat via Skype. In fact, all the information was transcribed and discussed then re-confirmed by the informant for its validity and reliability.

Last but not least, the empirical data from the interviews and previous studies will be justified and analysed by using the secondary data such as company's reports, journals, newspapers, reports from marketing research and consulting companies, internet, etc. Since those secondary data were from well-known sources such as academic journals and companies like Nielsen, Accenture, etc. hence it helps increase the reliability and validity of the secondary data.

4. Company background

Unilever is a giant Anglo-Dutch consumer goods company headquartered in London, UK. It was founded back in England in 1880 and the contemporary name emerged when the Dutch Margarine Uni and British soap maker Lever Brothers merged in 1930. The drivers for merger were the multiple benefits gained in purchasing of raw materials – oils and fats required in manufacturing of both products. And from there, M&A has a very significant role in the development history of Unilever.

From the very early days of its founding, Lever Brothers' mission supported a broad social purpose. In the 1890s, William Hesketh Lever, founder of Lever Bros, gave his ideas for Sunlight Soap, which ultimately became the vision of the company, were “to make cleanliness commonplace; to lessen work for women; to foster health and contribute to personal attractiveness, that life may be more enjoyable and rewarding for the people who use our products” (Unilever, 2015). Those ideas were long before the phrase 'Corporate Mission' had been invented, but they have stayed at the heart of Unilever's business. “Doing well by doing good is in the company's DNA” current CEO of Unilever Paul Polman reaffirmed in his recent interview (Bell, 2013).

In the 1980s, through its acquisition strategy Unilever had grown rapidly to become a giant consumer goods company. Between 1984 and 1988, Unilever had acquired 80 companies. Those acquisitions helped Unilever expand to the new categories of foods and personal care. After many years of restructuring, Unilever started to focus on internationalising its business to compete with its archrival Procter & Gamble. The battle did not only happen in Europe and America but also in the new markets of Eastern Europe and Asia. After many years of pursuing acquisition strategy, Unilever started to review its business portfolio and to divest some of its ancillary companies to focus on the core personal & home care and foods business. In late 1999, Unilever decided to eliminate about 1,200 of its brands to focus on 400 core brands that accounted for 90% of its total revenues. And in the mid-2000, following the proposal “One Unilever” of the former CEO Patrick Cescau, Unilever had got rid of 150 companies and 145 manufacturing plants. (Drake et al. 2015)

In the 2010s, Unilever shed some of its manufacturing operations in some developed countries such as the US to shift its investments to the more rapid growing markets such as Turkey, Vietnam, Indonesia, etc. (Drake et al. 2015)

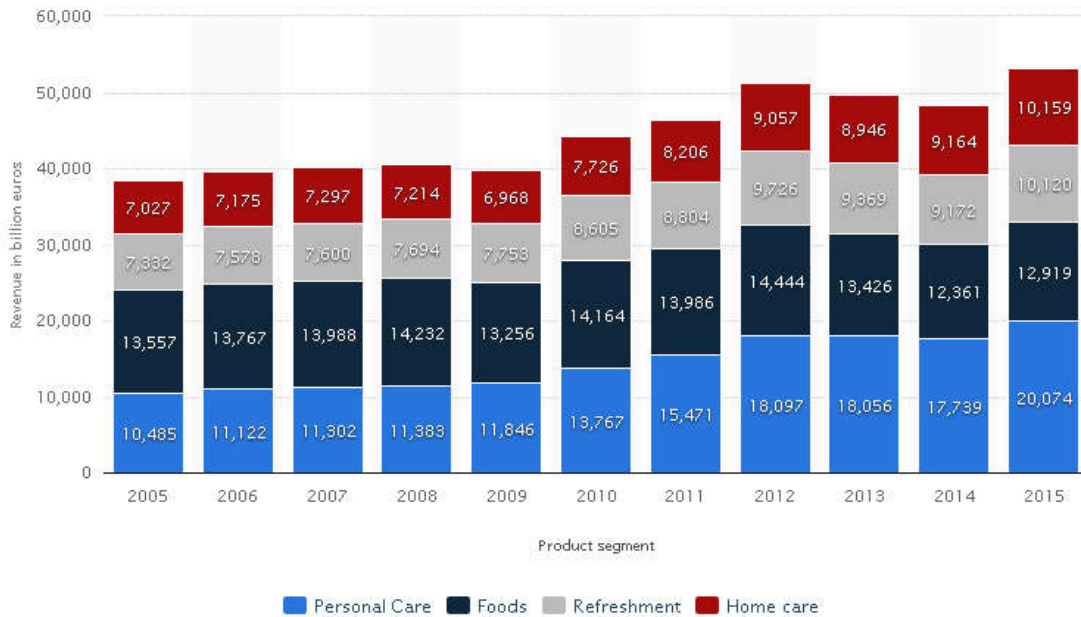
4.1 Unilever today

Unilever claims that “more than 2 billion consumers worldwide use a Unilever product on any given day” (Unilever, 2015). Unilever products have been sold in more than 190 countries and generate about €48 billion in 2014. Unilever’s business is divided into four categories: Personal care, the largest category (€17.7 billion) with items such as shampoos, soaps, skin care cream, deodorants, toothpaste, etc. from billion euro brands Dove, Sunsilk, Axe, Rexona and Lux; Foods, the second largest category (€12.4 billion) with the global brand like Knorr and items from soup, margarine, dressing to ingredients; Refreshment, the third largest category (€9.2 billion) includes ice cream with brands such as Wall’s, Magnum, Cornetto and Ben & Jerry’s, and tea with Lipton, Brooke Bond and PG tips; last but not least is Home care, same size to the Refreshment (€9.2 billion) consisting of detergent brands such as Omo, Surf as well as fabric conditioners such as Comfort, and cleaning product including Domestos, Sunlight. Currently, Unilever has about 173,000 people working for it and 100,000 suppliers across all categories and material types. In 2014, the company has a total of 252 manufacturing plants all over the world to support for its global operations.

The increase of Unilever’s turnover in recent years is derived not only from the rise of personal care portfolio with higher margin but it is also from the emergence of Unilever Sustainable Living Plan back in 2010. **Figure 9** below helps illustrate the growth of Unilever from 2005-2015 with the solid growth from the period of 2010-2015.

It was believed that the introduction of Unilever Sustainable Living Plan not only helped it reduce costs from reducing usage of water, energy, materials and wastes of Unilever’s factories but it also helped increase sales of Unilever. Moreover, Unilever claimed that

sustainable brands delivered stronger and faster growth since these brands accounted for half the company's growth in 2014 and grew at twice the rate of the rest of the business.



© Statista 2016

Figure 9: Revenue of Unilever from 2005 to 2015 (Available at: <http://www.statista.com/statistics/269200/revenue-of-the-unilever-group-worldwide-by-product-segment/>)

4.2 Unilever Sustainable Living Plan (USLP)

Upon his arrival in January 2009, Paul Polman announced that Unilever would no longer provide earnings guidance or publish quarterly reports to advocate for his long-term view and that was also the beginning for the evolution of Unilever to adopt USLP.

Seeing many issues that we are having in the world such as: rising temperatures, shortages of water, scarce food supplies, growing populations, etc., *the company launched the*

Unilever Sustainable Living Plan in 2010 with three main goals by 2020 (Figure 10): help more than a billion people take action to improve their health and well-being, halve the environmental footprint of the making and use of Unilever's products, and enhance the livelihoods of hundreds of thousands of people in our supply chain (Unilever, 2010). This was such an ambitious plan of Unilever since it wanted to double the size of the business, whilst simultaneously reducing its environmental footprint and increasing its positive social impact.

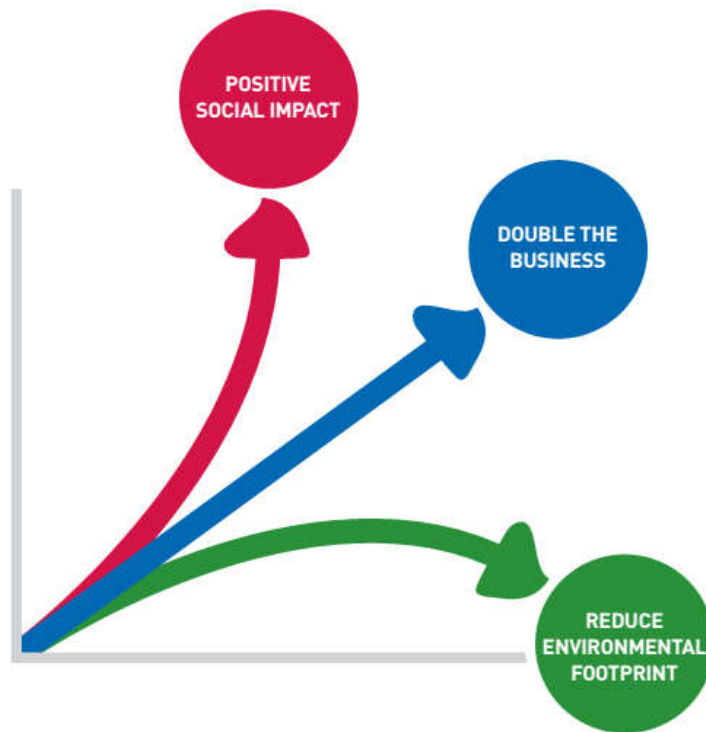


Figure 10: Unilever Sustainable Living Plan's goals

According to the analysis throughout the value chain of Unilever, two biggest factors of the greenhouse gas footprint are from the raw materials and consumer use with 25% and 68%

respectively. This value chain analysis works as a guideline for Unilever to understand where it should tackle in order to achieve its USLP (**Figure 11**)



Figure 11: Value chain analysis of Unilever

Based on this carbon foot print analysis, Unilever categorised its targets under nine pillars:

- *Health and hygiene:* Unilever aims to help one billion people improve their health and hygiene which could help reduce the incidence of life-threatening diseases like diarrhoea (according to Unilever, every year 3.5 million children die from diarrhoea and acute respiratory problems).
- *Nutrition:* improving the taste and nutritional quality of all products is what Unilever wants to achieve for this target. Seeing problems of both over and under-nutrition which makes people in the developed world have many health issues such as: obesity, stroke, heart attack, diabetes, etc. due to over consumption of saturated fat, sugar and salt while children in the developing countries, especially in Africa are malnourished (according to the UN Food and Agriculture Organization, there are more than 1 billion people around the world are undernourished).
- *Greenhouse gases:* Unilever wants to tackle greenhouse gas from both the consumer use and its manufacturing.
- *Water:* reduction of water consumption from both the consumer side and its manufacturing side.
- *Waste:* cutback in disposal issues from both the consumers and manufacturing are also commitments of Unilever in its USLP.

- *Sustainable sourcing*: Unilever has committed to source 100% of its agricultural raw materials sustainably.
- *Fairness in the workplace*: human rights across operations and extended value chains are main priorities of Unilever by 2020.
- *Opportunities for women*: Unilever committed to empower 5 million women through its business operation such as Shakti micro-entrepreneur in India by 2020.
- *Inclusive business*: by 2020, Unilever targets to have the positive impacts on the lives of 5.5 million people (small farmers holders and suppliers of Unilever)

With multiple targets to achieve by 2020, Unilever had to have some changes in its supply chain. For instance: Unilever committed to achieve 100% sustainable sourcing for its agricultural materials by 2020. By 2014, it has achieved 55% sustainable sourcing for its agricultural materials, up from 14% when USLP launched.

USLP not only required Unilever's supply chain practices to change but it also asked for change in marketing to come up with innovative products and purposeful brands in order to help improve lives of consumers whilst changing their behaviours. For instance: since 2010, Lifebuoy's hygiene education programme which is believed that can reduce diarrhoeal disease by 25%, acute respiratory infection by 19% and eye infections by 46% has reached 183 million people in India and other parts of the world; having learnt that in South East Asian countries, people uses one bucket of water for clothes washing but three buckets for rinsing, Unilever came up with an innovative idea to reduce water waste called Comfort One Rinse which allowed users to rinse with just one bucket instead of three as before (Unilever Comfort One Rinse, 2012); to encourage consumers to use less heating water to wash their hair, Unilever launched dry shampoo range under Dove and TRESemmé brand, etc.

To develop sustainable practices and improve the livelihoods of the people working in the supply chains of the partners, Unilever joined Rainforest Alliance in order to develop a certification process for sustainable sourcing of tea such as Lipton, PG tips and Brooke

Bond and of cocoa for ice-cream such as Magnum. Unilever aims to achieve 100% sustainable sourcing of all teas and cocoa by 2020 (Rainforest Alliance, 2015)

Unilever is considered as one of the largest buyer of palm oil in the world as it purchases about 3% of global palm oil production for use in products such as margarine, ice cream, soap and shampoo. Although palm oil is a good raw material for use in the consumer goods industry, especially, but it is believed that there is a strong link between the growth of palm trees and deforestation, thus Unilever has committed to source its palm oil 100% from the sustainable sourcing by 2020.

4.3 Progress of Unilever Sustainable Living Plan (2009-2014)

Those relentless efforts of Unilever have started paying back with many positive achievements in the period of 2009 -2014:

- *Health and hygiene:* by the end of 2014, Unilever has reached 397 million people to help improve their health and hygiene.
- *Nutrition:* 33% of its foods portfolio by volume met highest nutritional standards in 2014 by reducing salt, sugar and saturated fat in many of its products while providing healthy eating information for the consumers.
- *Greenhouse gases (GHG):* 37% reduction of CO₂ from energy per tonne of production through renewable energy and new factories. Unilever has also innovated new products to reduce GHG for the consumer use such as: compressed deodorant and other concentrated product.
- *Water:* apart from the new factories that help save water, Unilever has launched many innovative products such as one rinse fabric conditioner,
- *Waste:* significant reduction in waste from the consumer use and the manufacturing has been achieved in recent years.
- *Sustainable sourcing:* apart from 100% sustainable sourcing of palm oil in 2015 which is ahead of the schedule in 2020, Unilever is still on track to achieve the

sustainable sourcing target of its agricultural raw materials (achieved 55% by the end of 2014).

- *Fairness in the workplace:* 85% of Unilever's strategic suppliers meet its Responsible Sourcing Policy's mandatory criteria by March 2015.
- *Opportunities for women:* 238,000 women provided with access to training and skills, including 70,000 Shakti micro entrepreneurs trained in India.
- *Inclusive business:* 800,000 smallholder farmers gained access to training and support via partnerships with our agricultural suppliers and other partners.

The results above of the period 2009 – 2014 suggested that Unilever is on the right track to achieve its sustainability goals. It also showed Unilever's ambition to become a truly sustainable and responsible business. But how will a fully integrated relationship of marketing and procurement could help Unilever? The findings from the empirical results below will help reader understand more about the role of the integration between marketing and procurement to the achievement of sustainability goals.

5. Empirical results and discussion

5.1 The drivers of integration between marketing and procurement at Unilever

The previous studies have confirmed that three main motives lead marketing and procurement to work together for sustainability purposes are: the transformation of marketing from product oriented to solution oriented; B2B customers are more diverse and complex; and global sourcing risks that need the traceability (Piercy, 2009; Guercini and Runfola, 2009; Sheth et al. 2009)

The shift of marketing from product oriented to solution oriented (customisation) and customers become more diverse and complex (Piercy, 2009; Sheth et al. 2009):

The main driver that leads to the shift from product to solution oriented marketing is the globalization of the market which lowers barriers between countries and brings more opportunities as well as challenges for the business (Piercy, 2009; Sheth et al. 2009). It has been argued that globalization not only has brought new opportunities to businesses (new markets, new source of materials & labours) but also new competitors. In the new era of globalization, when companies try to expand their operations and presence, especially in the developing world, they will find a huge opportunity in accessing materials and components which could be cheaper than in their home countries. Another opportunity is the new source of cheap labour in the new markets that could help businesses lower their costs and ultimately increase competitive advantage. All of these new advantages rely heavily on procurement. More importantly, it is believed that these advantages make the role of procurement within the business become more strategically important.

On the other hand, entering in new markets, companies are also exposed to new opportunities as well as new challenges such as diverse customers with different cultures and backgrounds. That forces businesses to adapt their current products in order to fit the new customers.

Although these considerations have been made especially for the B2B context, they are still applicable to the B2C context. Globalization has forced consumer goods companies to be more innovative and adaptive in their marketing strategy when entering new markets, especially developing markets where they have new diverse consumers in terms of income, cultures and purchasing habits, etc. For example, when Unilever entered South East Asian countries where high proportion of poor rural consumers were living, the company decided to sell its shampoos and conditioners in small sachets (instead of bottles as in developed markets) so that the consumers could afford these products. Furthermore, in order to produce affordable products for the local consumers, the raw materials were sourced locally rather than importing them from outside countries (Chen and Cannice, 2006).

In the sustainability era, the product must not only be affordable and accessible but also eco-friendly. As a result of that, procurement has become more and more important as everything must start with sourcing and raw materials. For instance, in order to encourage consumers to use less heating water, Unilever launched its dry shampoo range that not only meets the functional needs of the consumers but also meets the needs of its sustainability goals. Another example is the new Comfort One Rinse that Unilever developed in the developing countries where water is scarce. In addition, to tackle the waste of sachet, Unilever has been very successfully selling to poor and rural consumers innovative products, and developing new technology to recover fuel from its used sachets (Waste Management World, 2012) as in the case of B2B markets, where a high degree of integration between purchasing and marketing is required in order to customise and make suitable products for the customers, also in the B2C sector a strong collaboration between procurement and marketing is needed in order to produce affordable products that meet consumers' needs.

Moreover, these products have to meet the requirements of the sustainability objectives of the businesses. Normally, marketing uses internal and external insights in order to analyse the market and consumers to develop products, but in the case of Unilever, its products must meet the needs of consumers and the requirements of sustainability, thus marketing must work closely with purchasing in order to have the affordable products that fulfil those

requirements. Hence, there is a strong link between diverse consumers and transformation from products oriented to solution oriented, and they could be considered as main drivers for marketing to collaborate with sustainable procurement at Unilever.

Traceability as a market tool (Guercini and Runfola, 2009):

What traceability really is? Norton et al. (2014: 6) defined traceability as “The ability to identify and trace the history, distribution, location and application of products, parts and materials, to ensure the reliability of sustainability claims, in the areas of human rights, labour (including health and safety), the environment and anti-corruption.” According to Guercini and Runfola (2009, p. 890) “when traceability is a market tool, there is a greater integration between marketing and purchasing within the firms”. This is confirmed in the following answer from a VP of global strategy & business development of Foods at Unilever, according to whom:

“Consumers have become more demanding asking where are the tomatoes from? Who produced it? How was it produced? As the world has become more transparent, consumers will need to know what do you have in your products? Where did you get it? Etc. Obviously, marketing will need specifications that would force them to align with procurement. (RS, 2015)”

Following an internal research at Unilever, 76% of people are more likely to buy products with sustainably sourced ingredients, while in another external report 83% of UK consumers, 78% of Czech consumers, and 92% of French consumers want method of production labelling, which clearly identifies the farm system used to produce the food, extended to meat and dairy products. Almost as many (UK: 79%, CZ: 60%, and FR: 80%), said farm animal welfare was important when deciding which food products to buy (Labelling Matters, 2015). The more people are concerned about the sourcing and materials, the more important traceability is. Thus, it could be understood how important traceability is to procurement and marketing inside a company. In order to understand more about the origin of the materials, the sourcing and production processes, and the environmental impact, which are increasingly becoming crucial product information, the

marketing department has no other way but to work closely with procurement department so to use that information obtained to differentiate its products from the competitors' ones.

According to a team member of the procurement team at Unilever:

“When procurement team and marketing come together and the procurement shows marketing the percentage of materials that are sustainable and marketing will choose what they want to communicate to the consumers. Marketing will leverage on those attributes provided by procurement team to do branding and create competitive advantage for the firms.”

To understand more about consumers, marketing could work with its insights team, but to understand more about the products and its origins which have become interesting to the consumers, marketing must ask and work with the procurement team. “Making your social commitment clearly visible in your product packaging can be the difference between a purchase and a pass for many consumers.” (Nielsen, 2014). Also, according to a survey from Nielsen (2014), 52% of respondents said that their purchase decisions had depended on the packaging and its label. That reinforces the need of collaboration between marketing and procurement as the attributes from procurement have become a differentiation tool to help businesses gain competitive advantage over their competitors. Therefore, it seems that procurement is no longer a clerical function and has evolved into a strategic area within the company. Moreover, traceability is an integral part of procurement as most of its values are important to the entire supply chain. It helps companies reduce risks of supply disruptions to secure and ensure the continuous supply, or risks of labour rights to ensure fairness at the suppliers' workplace but also gain reputational benefits for the company since “the data collection and increased understanding of the supply chain can serve as the first step to achieving broader sustainability objectives, increasing competitive advantage and providing added value for customers.” (Norton et al. 2014: 21). Therefore, using traceability as a market tool means recognising that it can represent an element of competitive advantage for marketing purposes and help drive the integration between marketing and procurement.

Besides the drivers discussed so far and emerged from previous studies, there are also other various reasons that lead marketing and sustainable procurement to collaborate at Unilever. From the point of view of a representative who is global brand building manager at Unilever:

“Within Unilever, a lot of data and analyses point out that brands that have sustainability in its growth agenda are actually growing faster than the brands that do not have.”

That shows how sustainability could make an impact on business performance. As from the following quote from the same representative:

“Brands should have a purpose in order to build meaningful relationship with consumers to gain their loyalty, otherwise consumers can go for another brands in any categories.”

It shows a very bright future for sustainability since it is believed that integrating sustainability into business could be a win-win situation through which companies could double the business whilst reducing the impacts of their products on the environment. But how can marketing make the brands purposeful? Indeed, marketing will need some information to understand more about the production processes and materials. According to Reinhardt et al. (2015), having a purposeful brand is not enough, but you have to have a story not only to tell the consumers about the product's performance but also to unlock their heart to the marketing message. Indeed, it is very important that marketing helps consumers have strong feelings towards their brands' purposes, and that is the key to build the long-term relationship. In order to make a convincing story, marketing will need to have a lot of insights and information, and the only function that could help in this case is procurement as that information belongs to its expertise. As the global brand building manager of ice-cream described her tasks:

“I work very closely with the procurement team, and they are the integral part of the project. During a project, procurement is absolutely a key point in the whole process as they help marketers with the data analysis and helping us coming up with the recommendations. Procurement indeed played a big role there, especially when it relates to

sourcing and materials. Their insightful information is critical to the success of our marketing story.”

It could be seen how procurement is important to marketing. Without the support of procurement, marketing will not be able to have enough information to create a good selling story for its brands. Moreover, the insights from procurement could help marketing create purposeful positioning that could help differentiate brands and drive consumer preference (Consumer Voice Unilever, 2015). It is understood that procurement has an integral role in sustainability marketing strategy and those insights could be the source of competitive advantages for Unilever over its competitors. Purposeful branding and positioning are part of sustainability marketing that could be another driver for the integration between marketing and procurement at Unilever.

When launching the Unilever Sustainable Living Plan in 2010, Unilever pointed out clearly its strategy that it wanted to double the current business whilst reducing the environmental footprint and increasing the positive social impact. In other words, Unilever wanted to grow its business without compromising sustainability. Paul Polman, CEO of Unilever insisted that profitability and sustainability could be achieved simultaneously when saying that *“Just like innovation, making your business model sustainable requires investment and risk, but there is no reason why you should separate profitability from sustainability. At Unilever we are showing that, by making our business model more sustainable, we are also improving our bottom line.”* (Bell, 2013: 39). Thus, at Unilever it is AND...AND situation, not EITHER...OR. The brand building manager of ice-cream insisted on that

“It has to be a win-win situation. You cannot trade off profitability with sustainability and it is an obligation for all of us. When you make a project or plan for something, you must make sure that you already included the sustainability impacts in it, otherwise that plan will be rejected by our executives. There is only AND...AND but not EITHER...OR.”

At Unilever, the CEO and his top executives have forced their employees to follow the guideline of Unilever Sustainable Living Plan and there is no compromise on sustainability for profitability but both must be achieved simultaneously. It is obligatory that if the

marketer wants his plan to be approved, he has to work with the sustainability and procurement team to make sure that his plan included them. Research also proved that the commitment of the top management of the company not only helped the sustainability plan be executed well by employees but also had an impact on the corporate culture to motivate employees to follow (Carter and Jennings, 2004; Haigh and Jones, 2006). Normally, without the intervention of the top management, it is difficult to force the functions to engage and work together. CMO of Unilever Keith Weed admitted in his TED talk that

“In most businesses, the marketing department sitting in one place trying to sell more stuffs, while sustainability is over here trying to save the planet and here you have the communications team looking for a great story, pictures for the annual reports, etc. So what did we do at Unilever? We put those three together under single leadership with a simple goal to make sustainable living a commonplace.”

It is true that each function has different goals and priorities, and it would be hard for them to spend most of their time to work together. Especially at Unilever, a marketing driven company, where marketing has a strong voice and decision, it is not easy to ask them to accept recommendations from other functions like procurement which was supposed to be the supportive function only. But things have started to change when sustainability has been embedded into the core of Unilever strategy (**Figure 12**). Marketing has no other choices but to collaborate. As Keith Weed said that a common vision would put them together and they must work towards that common vision which is Unilever Sustainable Living Plan. Indeed, it is logical that when having a common vision, either marketing or procurement will feel that it needs each other in order to achieve that goal, so they would eventually come to work together for sure. Thus the commitment of the CEO himself and the top executives at Unilever to the common vision of sustainability has a positive impact on driving marketing and procurement and other functions to collaborate to make sure that Unilever could achieve profitability and sustainability simultaneously.

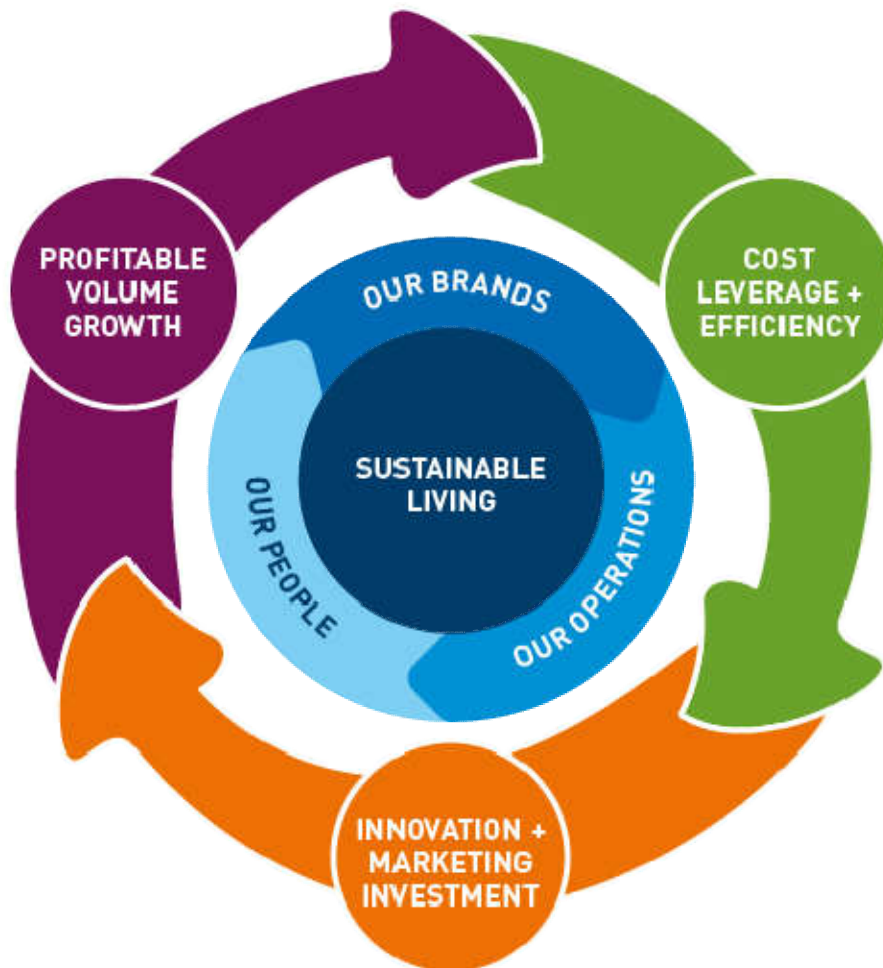


Figure 12: New business model of Unilever for sustainability (adapted from <https://www.unilever.com/about/who-we-are/our-strategy/>)

Last but not least, another factor that has positive impact on the integration between marketing and purchasing is the corporate culture which was created from the commitments of the CEO and top management. As a global procurement manager of ice-cream for Unilever shared:

“At Unilever, we enjoy our work and we find it purposeful to work towards the sustainability agenda. That is something that gives you the spirit and the overall responsibility not only to the profitability of the business but to the society as well. Here at

Unilever, we have an internal community to share the positive examples that we did worldwide, it not only creates awareness but also encourages us to follow.”

A true purpose-driven work culture that brings enthusiasm and passion to its employees, it makes everyone feel energized, excited and purposeful. Here in this case, sustainability inspires employees to work not only to grow the business but also to contribute to good causes. But it is not really a driver for the marketing and procurement but it is a part of factors that encourage the integration between marketing and procurement at Unilever. That is the experiment and learning culture which encourages competition amongst Unilever's employees who are pushed to innovate and to find new ways to contribute to the society.

In conclusion, apart from the confirmed drivers of previous studies, the findings from interviews with Unilever's employees also suggested other reasons that motivate the integration between marketing and procurement at Unilever.

5.2 The barriers of marketing and procurement collaboration at Unilever

Sheth et al. (2010: 860) argued that “integrating purchasing with marketing is both inevitable and beneficial”, but there are still many barriers that challenge this relationship. As from the research reviewed in the previous sections, two main barriers impede the integration between marketing and procurement: the perception about the role of each other and differences in their priorities and goals.

Although each company has a different corporate culture, one common point is that often purchasing is considered as one of the support functions for primary functions such as logistics, operations, marketing and sales (Porter, 1985). In the perception of marketing, procurement was and is always a clerical function and it has no influence over marketing's decision (Williams et al. 2009). Thus, it would not be easy for both of them to work together in an equal way due to the different perception in which one thinks that it is more important and more influential in working with the other. If a meeting was exclusively marketing driven, it would not be effective at all. That would mean that procurement works

for marketing and that uncomfortable situation would not give any effectiveness to the organization. It is all about the balance of power and influence between marketing and procurement. The emergence of globalisation has helped transform procurement from a supportive function to become a strategic function that could add many values to the companies (Sheth et al. 2009). The authors argued that globalisation must face many challenges in terms of controlling its suppliers and materials worldwide, especially in the case out outsourcing which needs more attention from the purchasing. The more companies rely on outsourcing, the more important procurement is. Without procurement, multinational companies could face many issues with their international operations. For example: the collapse of garment factory in Bangladesh back in 2013, the disruption of supply for global PC hard drives in Thailand due to the floods in 2011, etc. Therefore, procurement has an integral position in the strategy of businesses, especially when companies have global operations.

Indeed, in the case of Unilever, a global company with operations in more than 180 countries, one of the biggest buyers of agricultural materials and palm oil in the world with approximately 12% of the world's black tea, 6% of its tomatoes and 3% of its palm oil (Forbes, 2010), procurement has a critical role to the success of Unilever, especially when Unilever puts sustainability to the core of its strategy. But according to a team member of the procurement team from Unilever:

“When procurement team and marketing come together and the procurement shows marketing the percentage of materials that are sustainable and marketing will choose what they want to communicate to the consumers. Marketing will leverage on those attributes provided by procurement team to do branding and create competitive advantage for the firms.”

While her colleague from the marketing function commented that:

“During a project, procurement is absolutely a key point in the whole process as it helped marketers with the data analysis and helping us coming up with the recommendations.”

Hence, it could be implied that procurement is still partially considered as a support function to assist for primary function like marketing when using its expertise to give recommendation, insights to help marketing make the strategy.

The global procurement manager of the ice cream business also suggested that:

“Marketing has a lead on projects and, amongst others, is responsible for which concepts to go for and what/how to communicate; procurement has the responsibility to define the sourcing strategy & negotiate agreements. Each function has a responsibility and the project leader (a marketing person in the case of innovation projects) will bring all this together.”

This is true to the consumer goods company like Unilever which is driven by marketing and sales, and marketing has an important role in the growth of business as the global brand building manager of ice cream business at Unilever also said that:

“Marketing is responsible for product development, it is like an orchestra conductor and works closely with consumer insight, R&D, procurement and supply chain leveraging their expertise to bring the product to life.”

Indeed, that kind of corporate culture undermines the role of procurement and slows down the progress of cultural change. Thus, it widens the gap in perception about the role of each other between marketing and procurement which eventually leads to the barrier between them. Although there has been a transformation for the procurement in recent years but it seems that it still has to focus on the upstream of the operation where it works with its sourcing strategy and the suppliers rather than moving downstream to involve more with the consumers. As a result, it seems that the role of procurement has not totally changed yet. It is true that procurement has been given more responsibilities and priorities which make it become more important but its intervention in strategic decisions on overall sustainability goals remains limited.

In conclusion, there has not had much changed in the perception of marketing to procurement regarding its role so the perception about the role of each other is still valid

and remains a barrier for the relationship between marketing and purchasing within the company. Especially, it seems that purchasing still intervenes at the end of the NPD (new product development) process, to provide information useful to justify sustainability of a product already designed to satisfy other consumers' needs in first. This has two implications: (1) first, sustainability is not yet strategically intertwined with the conception of new products but intervenes only in a second stage. (2) Second, purchasing-marketing functions at Unilever interact, exchange information and align each other to support sustainability narratives to consumers, which means that they coordinate (see Santos and D'Antone, 2014). However, still each function has its own specific priorities so that there is not a real cooperation (i.e. sharing of objectives and work together to satisfy the same goal) and the coordination between the two functions only happens at a late stage of the NPD process.

Another barrier in the integration between marketing and purchasing consists in their different roles and priorities. As Sheth et al. (2010: 865) argued "purchasing and marketing operate in distinct silos within the organization" with purchasing spending most of its time working with manufacturing and operations, while marketing trying to sell more and more. Different roles and priorities have put them into two specific tracks; it is like two people going through two different paths. Thus, it is very difficult for them to interact with each other. It is exactly the case of procurement and marketing.

When taking over the top job at Unilever, Paul Polman decided to put sustainability into the core of its strategy by launching The Compass, a strategy for sustainable growth. The Compass sets out the clear and compelling vision to double the size of the business, while reducing the environmental footprint and increasing the positive social impact. That is the strategy of Unilever to build sustainable business for the long term. This vision made it so clear that procurement would have to be responsible for reducing the environmental impacts through its sourcing practices whilst marketing must be in charge of growing business faster but their common objective would be the achievement of ULSP. That vision emphasises the importance of procurement and marketing towards the future growth of Unilever. Thus it is also an obligation that procurement must work with marketing in order

to achieve the targets of doubling business whilst reducing environmental impact of Unilever as the CMO of Unilever Keith Weed used to say that:

“In most businesses, the marketing department sitting in one place trying to sell more stuffs, while sustainability is over here trying to save the planet and here you have the communications team looking for a great story, pictures for the annual reports, etc. So what did we do at Unilever? We put those three together under single leadership with a simple goal to make sustainable living a commonplace.”

It seems that under the new vision of sustainability and the emergence of USLP, procurement and marketing are forced to work together by being put under a common vision. Although that shows the strong commitment of Unilever for the sustainability goals, how effective that will be in practice is still a big question as it is not clear how concretely the two different functions should work together. Indeed, the gap in priorities of marketing and procurement is not a simple challenge that needs only the common vision. The global procurement manager of the ice-cream business also agreed that it needs a project leader to bring procurement and marketing together since each functions has its own priorities and responsibilities as he admitted that:

“Marketing has a lead on projects and, amongst others, is responsible for which concepts to go for and what/how to communicate; procurement has the responsibility to define the sourcing strategy & negotiate agreements. Each function has a responsibility and the project leader (a marketing person in the case of innovation projects) will bring all this together.”

Therefore, it is clear that the gap in priorities and responsibilities of marketing and procurement function is still a dominant challenge that companies like Unilever need to overcome if a truly sustainable business is aimed.

Apart from the gap in perception about each other between marketing and procurement and the differences in priorities and responsibilities that previous studies have shown, there are

other barriers that have been found in this thesis during the interview with Unilever's employees.

“The only limitations on my collaboration with procurement are workload and prioritisation when bringing sustainability to the forefront.” Global associate brand development manager said.

Putting sustainability into strategy and at the forefront of the business could motivate people to work towards the common goal and create competitive advantage for the companies. But it could also become a pressure for people to deliver that vision as it is an obligation, and there is no negotiation with it. Given that each function has different priorities and responsibilities, it now has to include sustainability in their tasks, thus it has become more challenging for each function and each member of that function to complete their assignments. That puts them under new pressure and it also becomes a barrier for marketing and procurement when they want to work with each other.

The gap in priorities and responsibilities between marketing and procurement mentioned earlier is also affected by the corporate culture, especially at the marketing and consumer driven company like Unilever, the affect would likely increase. Although the role of procurement has become more important in recent years, but it is still considered as the support function for marketing which leads and makes decisions for all the projects of the company as both the global procurement and marketing manager at Unilever agreed that marketing lead the project and it will proactively work with relevant functions such as market insights, R&D, procurement and supply chain. Hence, it could be seen that marketing has a key role in everything since marketing is at the core of the corporate culture like Unilever. The former VP of hair care category at Unilever reinforced the role of marketing at Unilever when saying that:

“Marketing is the leader in everything, especially in the product development. Marketing will work with R&D, supply chain and procurement. Procurement is there to support and execute what marketing asked for.”

Obviously, in the corporate culture that is driven by marketing, it is hard for procurement to have some influence over decisions or strategies made by marketing but procurement only acts as the executer. Thus, corporate culture is also another barrier that bars procurement from integrating with marketing.

Even though Unilever wants to integrate sustainability to its business, it seems that it cannot rule out its main priorities which are to maximise profits and minimise losses. Thus the conflict of costs and margins is still the headache when heading towards the sustainable business.

“Indeed, the conflict of costs and margins is my biggest challenge at the moment. And some of our consumer research pointed that some consumers are not willing to pay more for the sustainability. But at the end of the day, I have to find out the solution for this and it must be the win-win situation for the business, for the consumers and for the sustainability agenda. Thus, I need to partner with finance team to look at the problem holistically and not just from a cost perspective. For example: what a about my pack? Is there any opportunity to work on packaging and reduce costs there? With all variables that I have at the moment, and the P&L (Profit & Loss) that I manage, where can I pay to get the best value (best quality of vanilla for example)and where else can I reduce cost? Thus I am hoping as well from a marketing perspective that if I can land this message clearly with consumers in the way that I can see the benefits, I know I will increase my volume because they prefer my brand over another brand. So if I get an increase in sales and if I am able to make some savings from the packaging perspective and I am able to drive preference for our brands over other brands, within the 6P mix, where else can I reduce costs..”. Global brand building manager of the ice-cream business shared.

Similarly, according to the former VP of hair care category at Unilever:

“Sustainability is what brings people together, but it also created a debate over costs and margin for marketing and purchasing. We all know that there is tension point over who would bear the increasing costs of sustainability, consumers or businesses? For example: putting sustainability to the agenda, procurement would involve more in the product

development and they would recommend for the new recycle packaging which is very friendly to the environment. But that would increase the cost of packaging significantly. The biggest challenge for both marketing and procurement, would you be willing to bear that cost and dilute your margin or just pass it on to consumers claiming for its quality and sustainable materials. Moreover, raw materials from sustainable sources are great. But would it be a disadvantage of costs compared to the competitors who do not source responsibly and sustainably? Since this is the win-win situation which means that it would only be AND...AND but not EITHER...OR, it is really the biggest challenge for the collaboration between marketing and sustainable procurement.”

At Unilever, since sustainability agenda is a must, it is inevitable that all the functions especially marketing has to collaborate with procurement in order to achieve the goal of growing business whilst reducing impacts on environment. But with the conflict of costs and margin, is it still feasible? Porter (1980) suggested that there were three generic strategic approaches for companies to choose, but he also argued that the company should not pursue more than one strategic approach at the same time because it would dilute the total commitment and supporting organizational arrangements for the main approach. Thus, the firm can only choose one of three following generic strategies: overall low cost leadership, differentiation and focus. Meanwhile, Kim and Mauborgne (2003) argued that the firm could achieve differentiation and low cost simultaneously. The authors explained that the company could cut costs through various factors that company is competing on while coming up with innovated products that had never been offered by anyone in the industry and over time, the key point that helps firm achieve this target is the scale of economies that it made thanks to the sales volume which is very similar to what Unilever is aiming to achieve with its Unilever Sustainable Living Plan. And the success factor of Blue Ocean Strategy by Kim and Mauborgne (2003) lies in synergy of its business model that is the alignment of all the activities within the value chain of the company. Therefore, it could be concluded that the conflict of costs and margins is still solvable but there would be many things for Unilever to do, especially the collaboration between functions before it could achieve those sustainability goals.

It seems that the priorities of maximising profits and minimising losses are still dominating at Unilever although sustainability agenda is now an obligation. According to the global brand building manager for the ice-cream business:

“We generally have a benchmark in the category that we are trying to improve against. So for example in ice cream, I would have the ice cream tub has the benchmark to launch an innovation that has a better sustainability footprint. Unilever has a tool that helps us measure sustainable sourcing of all raw materials, nutrition standards, waste and green house gases. We need a green score in this tool to move ahead with the project. From a marketing perspective I then work out the best way to communicate on one of our measure to drive awareness and preference of our brands.”

It seems that at Unilever, although the sustainability is controlled and measured but it is quite overall and not really specific on the individual's contribution which might undermine their efforts in working toward the sustainability goals. Specific sustainability measures of performance constraining marketing and purchasing work could help overcome differences in terms of other priorities and go further than coordination to attain cooperation. And it is obvious that marketing is still doing its role which is to drive awareness and preference of brands but not really have any real impacts on the sustainability. Moreover, the Haigh and Jones (2006) suggested that in order to make employees fully committed to the sustainability goals, it is best to tie the compensation and rewards of the managers or employees to the performance of sustainability practice. It seems that there is a strong link between performance measure and sustainability and this practice is still lacking at Unilever since its employees are putting more of their focuses on the profits & losses rather than on the sustainability practices of the business. Hence, lacking the sustainability performance measure will be a gap for Unilever to fill to achieve its sustainability goals.

6. Conclusion and Implications for practice

Regarding the initial research question “How could marketing integrate with procurement to achieve corporate sustainability goals?” this thesis aims to understand more about that relationship and to explore what reasons that drive them to work together and what difficulties that bar them from cooperating. Furthermore, this thesis will explain how the integration can help companies achieve their ambition of becoming truly sustainable businesses. On the other hand, this thesis was carried out to address the needs of more research on the integration of marketing and procurement in the sustainability context.

There are two frameworks, which will be studied through the case study of Unilever, will be applied for this thesis. Since the article of Santos and D’Antone (2014) emphasises on the conditions of reaching the integration level, its framework will be used to evaluate whether the inter-functional relationship at Unilever has reached the integration level by two key dimensions: cooperation and coordination. On the contrary, the framework from the article of Bocconcelli and Tunisini (2009) will be used to identify what type of inter-functional relationship has been achieved at Unilever? It ranges from lowest level which is exchange to the highest level which is integration. Findings from the case study will reveal how the inter-functional relationship of marketing and procurement at Unilever is going? With the introduction of ULSP, does it have any changes on the relationship of marketing and procurement?

This final chapter will discuss more about the inter-functional relationship at Unilever with the information collected from the interviews then using those frameworks of Santos and D’Antone (2014) as well as Bocconcelli and Tunisini (2009) to give the conclusion for the relationship of marketing and procurement at Unilever. Then in the managerial implications part, this thesis will provide some insights on the inter-functional relationship of marketing and procurement so that it could be applied and improved at Unilever. Last but not least, the thesis will also point out some limitations and suggestions for further studies.

6.1 Discussion on the key findings of the study

In the giant company like Unilever, it has a huge business model with many operations around the world consisting of many functions: finance, marketing, sales, human resources, procurement, logistics, etc. This study aims to explore about the inter-functional relationship in Unilever business, especially the relationship between marketing and purchasing. The reason behind this choice is the special relationship between marketing and procurement as procurement was always considered as a support function for marketing and other functions within the business, but it seems that in the sustainability era procurement position in the business has become more and more important. That is the reason why the inter-functional relationship between marketing and procurement is very critical to the business.

The interviews with Unilever's employees from marketing and procurement team have revealed some information regarding the relationship between them and how they work to achieve the common goal of sustainability. The findings from the empirical study with the findings from previous articles helped identify key drivers and barriers in the inter-functional relationship between marketing and procurement at Unilever. **Table 9** below will summarise the main findings of this study.

Table 9: Summary of drivers and barriers of the integration between marketing and procurement at Unilever

<i>Drivers</i>	<i>Barriers</i>
<ul style="list-style-type: none"> Marketing transformation from product oriented to solution oriented and complex consumers 	<ul style="list-style-type: none"> Different priorities and responsibilities between functions
<ul style="list-style-type: none"> Traceability as a market tool 	<ul style="list-style-type: none"> Different perception about each other
<ul style="list-style-type: none"> Purposeful marketing 	<ul style="list-style-type: none"> Corporate culture of marketing driven
<ul style="list-style-type: none"> Win-Win Strategy (AND...AND) 	<ul style="list-style-type: none"> Sustainability performance measure
<ul style="list-style-type: none"> Sustainability is the vision of the company 	<ul style="list-style-type: none"> Pressure of sustainability goals
<ul style="list-style-type: none"> Commitment of the top management 	<ul style="list-style-type: none"> Costs and margins conflict

Apart from the drivers that were found in previous studies such as: marketing transformation from product oriented to solution oriented and traceability used as a market tool, this thesis has found other factors that have positive impact on the relationship of marketing and procurement at Unilever. In order to create an emotional and purposeful marketing plan, marketing needs to have a story to tell and it must think of procurement. Marketing can have a lot of tactics to sell the products but to have a good story to tell the consumers and to address their concerns regarding the source the products and how the

products were made, it will need the support from procurement which is the expert in this. Moreover, a purposeful marketing strategy has to be more than just communication, but it must include actions and have deliver results. Hence, without the help of procurement, it seems that marketing cannot achieve its sustainable objectives and purposeful branding alone. Although the purposeful branding is the key factor that drive marketing to work with procurement but it seems that it cannot assure the integration of marketing and procurement as they were only interaction and exchange of information between them. Thus this inter-functional relationship of marketing and procurement in this case belongs to the coordination dimension which is part of integration.

Another factor that has an impact on the inter-functional relationship between marketing and procurement is the sustainability vision which they work towards. This sustainability vision acts as a common priority for both functions to follow. Without having this common vision, they will go on separate ways as they have their own priorities and responsibilities. According to the information from the interviews, it seems that even though marketing and procurement share the common vision of sustainability, marketing is the project leader which makes all the decisions and procurement just follows. In this case, this inter-functional relationship cannot be the collaboration as it has only one factor of collaboration which is sharing visions and goals (Kahn, 1996). And they only work whenever they need information from each other, especially as a project leader, marketing will need more information to support for it. Thus, it could be concluded that this relationship fits with the coordination dimension rather than cooperation.

The other important factor that drives the inter-functional relationship between marketing and procurement is the commitment from the top management of Unilever. It is believed that the top management's commitment can have an impact not only on the business' vision but also on the organisational culture. As in Unilever, sustainability objective is a must and its employee must keep in mind that it will have to be a win-win strategy and there will be no trade-off between profits versus social costs as well as environmental costs. It is true that the top management can have an impact on Unilever's vision by setting up a new vision of sustainability for the entire organisation to follow. But to change the organisational culture,

it will take time to make it happen as it is also a key to drive marketing and procurement to integrate. It seems that the top management's guidelines can force them to interact more and align more with each other but it cannot force them to collaborate and to put together efforts. Thus the commitment from the top management and the common vision of sustainability seems to have similar impact as they drive marketing and procurement to coordinate more than before.

The most important factor which could have been the driver for the integration of marketing and procurement is the organisational culture of Unilever which is driven by marketing and sales. In a marketing driven company like Unilever, procurement was working as a support function for marketing and other functions as its role had been undermined. But in the new era of sustainability, procurement has become more important than ever in all the businesses as it has become a strategic function which has an impact on the growth of the businesses. But at Unilever, marketing is still dominating and being the leader in all projects, thus the position between marketing and procurement at Unilever has not changed much even though procurement has become more important and strategic in recent years. Thus, the corporate culture of Unilever could be considered as the biggest factor that has an impact on the integration of marketing and procurement. Moreover, if the top management succeeds in changing the corporate culture at Unilever which will lead to the change of business model and the relationship among functions of the business, it will be a turning point for the business and also be strong driver for the integration of marketing and procurement. Hence, corporate culture could be considered as a paradoxical factor as it could be a driver or barrier for that integration.

According to the findings of this study, it seems that procurement only involves in a middle stage of the project or it is acting as a support function for marketing only. The root of this problem is believed from the corporate culture of Unilever which is dominated by marketing. That culture creates a gap between marketing procurement and it also undermines the role of procurement. That makes it impossible for procurement to collaborate with marketing to achieve the cooperation dimension. Because the corporate culture is the key factor that also has impacts on other barriers like the perception of

functions about each other and different priorities of each function, thus solving the issue of corporate culture will be the key for Unilever to achieve both coordination and cooperation dimension which ultimately leads to the achievement of integration between marketing and procurement to become a truly sustainable business.

To provide a representation of the type of relationship between marketing and procurement identified at Unilever in this study, the classification proposed by Bocconcelli and Tunisini (2009) seemed pertinent and was used to elaborate the representation proposed in **Figure 13**. Although there have had many changes both internally and externally at Unilever to achieve its sustainability goal, the most obvious evidence is the effort of Unilever to integrate its sustainable procurement with marketing activities. At the moment, it seems that the relationship between marketing and procurement at Unilever has passed the exchanging stage to reach the interaction level where they are having a lot of meetings, communication to meet the overall demands of the project but each of them still has their own priorities to follow.

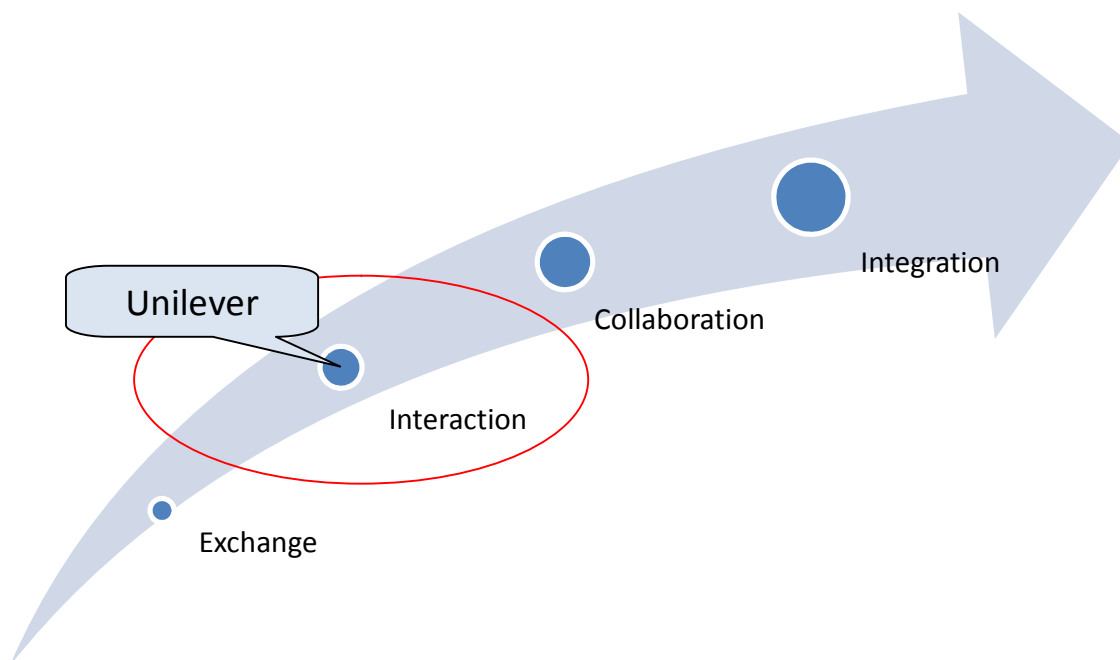


Figure 13: The stage of the relationship between marketing and procurement at Unilever

In order to reach the integration level of marketing and procurement, Unilever has many more things to do rather than forcing them to work together following the guidelines from the top management. As Santos and D'Antone (2014) suggested that the integration level requires the combination coordination dimension which is more about frequency of meeting and communication between marketing and procurement and cooperation dimension which emphasises on the mutual goals and strategies between two functions. It seems that Unilever was successful in coordinating marketing and procurement but was not able to make them cooperated since each of them still has different priorities to follow. They important point here for Unilever is to change its corporate culture which encourages more collaboration among functions and stimulates the strategic role of procurement to become a strategic partner of marketing. Doing that, Unilever could create a new corporate culture of sustainability which requires strong alignment between functions and more importantly a strong integration between marketing and procurement

6.2 Theoretical implications

This thesis contributes to the study of inter-functional relationship within the organisation. Its results suggested that even though in the new era of sustainability, there are more interaction and alignment among the functions, especially marketing and procurement but there still remain a lot of barriers, especially a tough barrier like corporate culture that needs not only efforts but also time to change it.

The findings of this study suggested that Unilever is on track to achieve its sustainability goals, but there have a lot of things for it to work on before reaching there, especially the relationship between functions when working toward the sustainability goal. It is true that sustainability is the common objective that each function as well as the entire business aims for, thus it apparently becomes a factor that connects all the functions to work together, especially in this case it drives marketing to work with sustainable procurement in order to communicate about the sustainability of the products. Therefore, it is concluded that sustainability has a positive effect on the integration of marketing and procurement when it

becomes a corporate culture and being embedded to the company's strategy. In the **Figure 14**, sustainability is illustrated as a bridge that connects the functions within the company, especially its emergence has tightened the inter-functional relationship between marketing and procurement by promoting the internal role of procurement in the firm. The rise of sustainability is the key to the transformation of procurement to the more strategic role which requires more cooperation with marketing. Therefore, when sustainability acts as the shared goal for both marketing and procurement, it would ultimately tie each of them to the other. More importantly, the findings of this thesis also points out that to become a truly sustainable company, the relationship between functions must reach the level of integration which requires the combination of coordination and cooperation between the two functions (Santos & D'Antone, 2014). Therefore, it could be concluded that the common objectives as well as the frequency of communications between them are main driving factors for the achievement of integration. Without one of the factors, it is impossible to achieve the integration level.

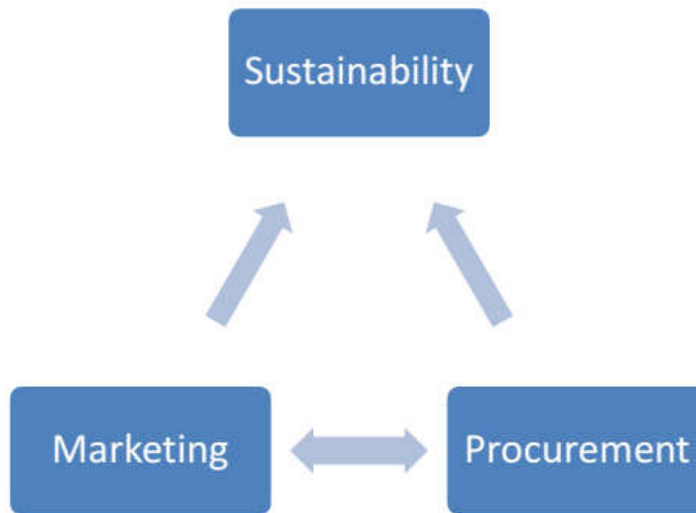


Figure 14: The relationship between marketing and procurement when working towards the sustainability

6.3 Managerial implications

Some managerial implications can be derived as the consequences of this thesis' finding. Although there are a few barriers in the relationship between marketing and procurement, but they are all solvable. The biggest problem is the corporate culture of Unilever which is a marketing driven company thus marketing has big influence in driving the business. In order to achieve the sustainability goal which requires the integration between marketing and other functions, especially the sustainable procurement, marketing must let procurement to be involved more in its product development project, especially at the very beginning of the project so that the expertise of procurement could be fully exploited. More importantly, procurement should be treated as a strategic partner rather than a support function for marketing. That will ultimately help increase the level of communication and interaction between the two functions which helps achieve the coordination goal.

Since Unilever is a giant business with global operation in nearly 200 countries, it is impossible to change its culture overnight but it will take time. Thus, it is not easy to force marketing and procurement work together towards the common objective of sustainability to have effects immediately. Each function will need to have objectives for each project that they work together and gradually those objectives can be accumulated to make a bigger change that is to become a sustainable business.

Last but not least, costs and margins are critical to the profit & loss of the business. But it cannot be a scale to measure the sustainability of the business. There should have another tool to measure the sustainability performance of the business rather than being based solely on costs and margins as before. As sustainability has been integrated into the company's strategy, it should be measure specifically based on individual's contribution or on each project's contribution rather than having overall goals of the entire business. Therefore having sustainability measurement would make employees feel that sustainability is a must now and not an extra task that apart from their daily responsibility.

6.4 Limitation

Although the findings of this thesis have made some contributions to the theory as well as the application of the integration between marketing and procurement, it still remains some limits which could be opportunities for further research.

This thesis was limited to a single company Unilever. Moreover, Unilever is a giant company with many categories, it would be very difficult to study about the interface in all categories, thus all the interviews were given by the marketing and procurement people in the foods and refreshment category, particularly in the ice-cream category and all are working at the global level. There will have different results if it is studied at the local level of Unilever and with other business units like personal care and home care. Thus, there are many opportunities for the future research to extend this study to other context. The methodology of this study could be applied to other future research involving different functions or context.

A single case study is very limited and thus it could not be enough to generalise results. According to Yin (2003) that multiple case studies are preferred to a single case study, and it is easier to generalise the results with more cases rather than just a single case which will need a strong justification. Thus, additional case studies are necessary to help justify the findings.

Further, there was limitation with the qualitative method and the interview. The results were generalised based on the information given by the informant only and sometimes they were justified by using findings from previous results. But the results from previous studies were quite limited due to its research in the B2B context without the involvement of sustainability. Thus, it was the gap of this thesis. It would be better if the researcher could have a chance to observe the daily life of the people from both marketing and procurement or to follow them through the entire project and observe how they work together. That will be the best way to understand and to justify the results of this study if it is a single case study.

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8. Appendices

Appendix 1: Interview guides

Depending on the scope of work of the informant, some questions were changed flexibly to adapt to the context.

This is an example of interview guideline for the people from procurement team:

- How do you define sustainable procurement at Unilever (UL)? What values does it have?
- What drives UL to source sustainably and responsibly?
- Can you describe your work with marketing team? How do you work with them?
- What are your motivations to work with other functions? Especially marketing?
- Do you have any conflicts when working with them? Or barriers?

This is an example questionnaire for the people from marketing team:

- How do you define sustainability marketing at Unilever (UL)? What values does it have?
- What drives UL to give purposes to its brands? What can purposeful branding can do to the consumers?
- Can you describe your work with procurement team? Do you drive them or order them to follow you?
- What are your motivations to work with other functions? For example procurement?
- Do you have any conflicts when working with them? Or barriers?

Appendix 2: Examples of sustainable brands of Unilever



Dove Real Beauty Campaign





TOGETHER WITH SUPPLIERS AND PARTNERS WE HAVE PROVIDED HELP AND TRAINING TO **570,000** SMALLHOLDER FARMERS

WE CONTINUOUSLY LOOK AT MORE SUPPLY CHAINS TO HAVE POSITIVE SOCIAL AND ECONOMIC IMPACT ON SMALLHOLDERS

- We are either directly in business with smallholder farmers or via suppliers in the examples here**
- We have been directly involved in agronomic support activities targeted at the farmers**
- We have contributed cash to programmes of farmer training**
- We pay for technical solutions that create environmental savings and yield improvements**
- We pay premiums to suppliers for investment in farmer replanting/agronomy programmes**
- We have provided planting material (high yielding seed) to farmers**
- We have provided resource directly to a project of farmer training**
- We link expert organisations to our supplier farmers to build, for example, pest management programmes**

TOMATOES FROM INDIA
As a result of a partnership between the Maharashtra government and Hindustan Unilever, a woman entrepreneur was able to invest in a tomato processing plant, contracting supplies which contributed to high-quality tomatoes for our Kissan Ketchup brand from

2,600 SMALLHOLDER FARMERS

OVER 500,000 FARMERS HAVE BEEN TRAINED OR ENGAGED IN AFRICA

VANILLA FROM MADAGASCAR
Working with Symrise and international NGO GIZ to deliver livelihood improvement for farmers. This impacts 4,000 smallholders and families, 32 vanilla communities and 44 schools and colleges

24,000 PEOPLE

Map labels: OREGANO TEA, ALLANBLACKIA COCOA, PALM OIL, TEA, VANILLA, VETIVER, PALM OIL DAIRY, TOMATO VEGETABLES FRUITS, GREEN GHERKINS, TOMATO CHICORY TEA, PALM SUGAR, COCONUT SUGAR, BLACK SOYBEAN

WORKING WITH TEA FARMERS

An agreement with the Tanzanian government, aims to positively impact the local community in Mufindi through the development of



The Kenya Tea Development Agency

Unilever and Vodafone technology connects smallholder farmers directly on agronomical best practices to ultimately improve livelihoods. And Lipton continues to inform consumers about this

PALM OIL FROM INDONESIA

A close cooperation between smallholders, the RSPO and WWF achieved the first certified oil palm smallholders from Indonesia to

BLACK SOY BEANS FROM INDONESIA

Working with farmers to develop a high-quality sustainable supply for Bango sauce. In 2000, we started working with a local university to engage local farmers, providing technical assistance and financing to help