



Research Article

A Theory of Market-Based Sustainability: Integrating Economics-Based Supply and Demand Theory with Doing Good, Warm Glow, and Price Fairness

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ABSTRACT

A variety of entities are increasingly concerned with sustainability (e.g., customers, firms), and these entities will often increase their sustainability actions if there is a performance and/or quality-of-life incentive to do so. But such a simplistic portrayal of sustainability leaves out the boundaries of what firms would opt to do given certain market conditions and what customers (and other stakeholders) would be willing to sacrifice, if anything, to be sustainable. In response, we develop a theory of market-based sustainability and delineate its core tenets. The theory facilitates a deeper analysis of sustainability actions for firms and customers (but also other primary and secondary stakeholders) – via a focus on sustainability levels and changes – involving direct (doing good), indirect (warm glow), and synergy-related sustainability impacts as well as price fairness. Without such integrative theorizing, firms will likely allocate cost estimates (and price points) that are too high for the undertaken sustainability actions or impact estimates that are too low, or both, instead of achieving a maximum point of sustainability yield.

KEYWORDS

Corporate social responsibility, doing good, environment, green economy, sustainable development goals, sustainability, warm glow

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I. Introduction

Sustainability has become in vogue as a positive force in society and throughout the world community and there are significant indications that firms gain “benefits from reliable sustainability initiatives” (Hawn et al., 2018, p. 949). Ever more customers want to be sustainable and many firms go to great lengths to deliver on those wishes, including appointing Chief Sustainability Officers (Fu et al., 2020). However, despite sustainability being an attractive strategy for a variety of firms (e.g.,

small, medium, and large firms; agriculture, service, and manufacturing firms; high-tech and low-tech firms), theorizing about sustainability for the global economy has been limited (Lubin & Esty, 2010; Wang et al., 2020). Focusing on firms and customers, we use the following **general sustainability** definition to guide our theorizing: “Sustainability means seeking to replace what we use and repair what we damage, striving to leave the planet in a better condition than that in which we found it” (Hollensbe et al., 2014, p. 1232; cf. Kates et al., 2001)



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Within this scope, we aim to develop a theory of market-based sustainability for the global economy, meaning we embed the effects of sustainability and our theorizing in the international business ecosystem. “The international business ecosystem is defined as the organisms of the business world – including stakeholders, organizations, and countries – involved in exchanges, production, business functions, and cross-border trade through both marketplace competition and cooperation” (Hult et al., 2020, p. 38). The dynamics of this “ecosystem” has wide-ranging implications for firm-related sustainability decisions (Liu et al., 2015, p. 963). In particular, Lundan (2018, p. 3) describes a “double helix” of failures that we address related to the duality of firm-policy research – institutional, market, and organizational failures – where “two strands share a common theoretical core, with one strand that leads to answers relevant for managerial practice and the other to insights relevant for policy.” In response, our theory draws on institutional issues to capture organizational issues within the marketplace in which firms compete (Assche & Ganges, 2019; Gereffi, 2019; Strange & Humphrey, 2019; Zanten & Tulder, 2018). Consequently, building on the general definition of sustainability by Hollensbe et al. (2014), we set forth the following specific definition of **market-based sustainability** to guide our theorizing: Market-based sustainability is defined as cultivating the business-societal/environmental interface involving institutions, markets, and organizations with a conscious positive business focus on customers’ product/service needs and wants and other stakeholders’ interests to contribute to a sustainable international business ecosystem (Hult, 2011; Hunt, 2011).

The positive need to be sustainable has led many countries to develop infrastructure to facilitate their firms in being responsible in their consumption activities (Bain et al., 2019; Hult, 2018). In marketing, this infrastructure enhancement has accelerated sentiments related to firms “doing good” (Mason & Simmons, 2014; Vlachos et al., 2013) and customers nurturing a “warm glow” (e.g., lowering their carbon footprint) (Bhattacharya et al., 2021; Spielmann,

2021). Additionally, at the market level, given today’s international competitiveness and firms’ needs to continually focus on being profitable (or at least setting prices to generate revenues equal to costs for non-profits), strategies for sustainability-focused firms have also often been about cultivating a customer’s “warm glow” or resorting to increasing costs (both fixed and operating) to offset the costs of sustainability initiatives (Bhattacharya et al., 2021). Some scholars make an argument that a firm’s responsibility can also be to motivate (i.e., “incentivize”) a customer so that he or she participates in sustainability initiatives, and thereby in effect encourage a customer to adjust his or her “warm glow thermostat” (Giebelhausen et al., 2016, p. 56). Such incentivizing, while appearing to lower product standards, often actually results in an enhanced customer experience and ultimately increased customer satisfaction (Hult, 2023). Consequently, being sustainable can be a strategic tool for a firm to enhance its stakeholders’ positive perceptions and acceptance of social responsibility activities (Gomez-Trujillo et al., 2020). With such an integrated market focus, sustainability becomes part of (or needs to be part of) the broader focus of “understanding how MNEs respond to greater pressures for social responsibility and sustainability in their global operations” (Buckley et al., 2017, p. 1050).

Simplistically, many firms operating in today’s marketplace will engage in sustainability initiatives if their bottom-line performance can gain from such initiatives or at least not cost more (Kim et al., 2019; Porter & Kramer, 2006). Similarly, many customers, or at least an increasing number of customers, would buy products linked to sustainable efforts if there is no lowering of quality relative to competing non-sustainable substitutes and if the prices are at least market competitive (Hult, 2018; Whelan & Sacco, 2019). But such a simplistic portrayal of sustainability leaves out the boundaries of what firms can and even should do given country infrastructure, market circumstances, and what the customer would potentially be willing to sacrifice. This goes beyond one-off initiatives that some firms implement tactically based on market sentiments to more robust strategic developments

based on direct, indirect, and synergistic impacts from nurturing sustainability initiatives. To rectify the lack of theorizing regarding sustainability, we develop a theory of market-based sustainability for the international business ecosystem and delineate its core tenets.

This type of marketing-centric theory can be captured convincingly within the general scope of an economics-based supply and demand model. With the economics underpinning, we can illustrate how both “doing good” and “warm glow,” as a function of a firm’s sustainability actions, can be advantageous for positively driving a firm’s performance. However, to be effective and convincing, the theory must also integrate one of the core elements of what customers think of when being sustainable – their own “quality of life” (Becker et al., 2005). Additionally, for a firm to be enthusiastic about implementing sustainability initiatives, goal-oriented performance metrics must be shown to be more than simply additive (if additive only, the sustainability opportunity costs will eventually outweigh benefits since then it becomes a question of effective resource allocation) (cf. Kogut and Zander, 1992). The theorizing must involve a firm’s direct impact (doing good), indirect impact from customers’ perceptions (warm glow), synergistic effects from implementing multiple sustainability actions, price fairness to customers (while still covering firm costs), and quality-of-life issues within the international business ecosystem (Assche & Ganges, 2019; Gereffi, 2019; Hult et al., 2020; Strange & Humphrey, 2019; Lundan, 2018; Zanten & Tulder, 2018).

2. Foundational Building Blocks

The foundational building blocks we draw upon for our theorizing regarding market-based sustainability include the areas of doing good, warm glow, and price fairness. Scholarly works of literature covering these areas are diverse and cross-disciplinary (e.g., anthropology, economics, finance, management, management science, marketing, psychology, and tourism/hospitality), and we summarize a select set of influential works across these areas in Table 1 (doing good), Table 2 (warm glow), and Table 3 (price fairness). Leveraging such a diverse literature base ensures both broad and deep coverage of relevant market-based sustainability

topics for theory development within a macro- and microeconomics lens.

2.1. Doing Good

Doing good (Ariely et al., 2009) has become a way for many firms and countries to stress their social responsibility and exemplify a positive message and involvement in communities (Lev et al., 2009). At the firm level, such “positive business” (i.e., “business can and should be a force for good in the world” – Hult et al., 2018, p. 261) also appeals to shareholders and many investors (Durand et al., 2019; Hawn et al., 2018), employees (George & Brief, 1992), and a variety of other stakeholders (e.g., Aguinis, 2011). Relatedly, Sen and Bhattacharya (2001) examine when, how, and for whom social responsibility actions work. They find that firm-specific factors (e.g., social responsibility issues that a firm opts to engage in and product/service quality) and individual factors (e.g., support for social responsibility) influence customers’ responses to a firm’s social responsibility actions.

More directly, Aguinis (2011) talks about doing good as a form of organizational responsibility: “context-specific organizational actions and policies that take into account stakeholders’ expectations and the triple bottom line of economic, social, and environmental performance” (Aguinis, 2011, p. 855; cf. Elkington, 2018). Importantly, Falck and Heblich (2007) show that by practicing such responsibility, a firm can “do well by doing good.” In this context, social responsibility is viewed as a voluntary promise to surpass the responsibilities enforced on a firm by society’s expectation (formal and informal governmental policies) of the firm’s actions (but often within governmental regulatory frameworks). Unfortunately, because countries have different laws, standards, and policies when it comes to social responsibility, many ways also exist to “get away with” less-than-ideal behavior in a firm’s quest for greater revenues and profits (Bhattacharya & Sen, 2004; Fisher, 1997).

Table 1. Influential Research on “Doing Good”

Citation	Field	Scope
Aguinis (2011, p. 855)	Psychology	Aguinis’ (2011) goals in this chapter were to introduce organizational responsibility research and practice to the field of industrial and organizational (I/O) psychology. He also sought to encourage I/O psychology professionals to embrace organizational responsibility in their research and practice. “Organizational responsibility is defined as context-specific organizational actions and policies that take into account stakeholders’ expectations and the triple bottom line of economic, social, and environmental performance.”
Ariely et al. (2009, p. 544)	Economics	Ariely et al. (2009) experimentally examine image motivation – “the desire to be liked and well regarded by others” – as a driver in prosocial behavior (doing good). They explore whether extrinsic monetary incentives (doing well) have a detrimental effect on prosocial behavior due to crowding out of image motivation. Ariely, Bracha, and Meier (2009) show that image is an important part of the motivation to behave prosocially and that extrinsic incentives crowd out image motivation. Monetary incentives are more likely to be counterproductive for public prosocial activities than for private ones.
Bhattacharya and Sen (2004, pp. 12-13)	Marketing	Research by Bhattacharya and Sen (2004) reveals three key findings: (1) Heterogeneity exists across consumers in reactions to Corporate Social Responsibility (CSR) initiatives (i.e., what motivates one consumer segment does not necessarily work for another), (2) impact of CSR initiatives on outcomes that are internal to the consumer (e.g., awareness, attitudes, and attributions) is greater than its impact on external outcomes (e.g., purchase behavior, word-of-mouth), and (3) CSR initiatives benefit the company that implements them as well consumers and the social issues targeted.
Eichholtz et al. (2010, p. 2492)	Economics	Eichholtz et al. (2010) show that the economic value of “green buildings” is based on impersonal market transactions instead of the typical engineering estimates. They analyze clusters of certified green and nearby non-certified buildings, establishing that “rated” buildings can charge higher rents and selling prices than non-rated buildings. Energy efficiency is associated with selling prices, and the intangible effects of the “rated label” also plays a role in the values of green buildings in the marketplace.

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Table 1 continued

Falck and Hebllich (2007, p. 247)	Management	Falck and Hebllich (2007) show that by practicing Corporate Social Responsibility (CSR), a firm can “do well by doing good.” CSR is regarded as a voluntary commitment to exceeding the obligations imposed on a firm by society’s expectations of corporate behavior. On the opposite, because countries have different laws and standards, more ways exist to get away with less-than-ideal behavior in the quest for greater profits. Falck and Hebllich (2007) contend that practicing CSR is not altruistic do-gooding, but rather a way for both companies and society to prosper, especially as a long-range plan of action.
Fisher (1997, p. 439)	Anthropology	Fisher (1997) surveys the literature on growing numbers, changing functions, and intensifying networks of nongovernmental organizations (NGOs) that have impacts on globalization, politics, and local lives. Studies of these changes create understandings of translocal flows of ideas, knowledge, funding, and people; shed light on changing relationships among the citizenry, associations, and the state; and encourage a reconsideration of connections between the personal and the political.
George and Brief (1992, p. 310)	Psychology	George and Brief (1992) describe five forms of organizational spontaneity: (1) Helping co-workers, (2) protecting the organization, (3) making constructive suggestions, (4) developing oneself, and (5) spreading goodwill. Spontaneity is compared with organizational citizenship behavior and prosocial organizational behavior. A model of spontaneity is presented, and a positive mood at work is a pivotal construct that is posited as the precursor of organizational spontaneity. Primary work-group characteristics, affective tone of the primary work group, affective disposition, life event history, and contextual characteristics have direct or indirect effects, or both, on positive mood at work.
Hamilton et al. (1993, p. 62)	Finance	Socially responsible investors favor certain firms over other firms based on criteria such as adherence to social, moral, religious, and environmental beliefs. Hamilton et al. (1993) find that socially responsible mutual funds do not earn statistically significant excess stock market returns and the performance of such socially responsible mutual funds is not statistically different from the performance compared with conventional mutual funds.

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Table 1 continued

Lev et al. (2009, p. 182)	Management	Lev et al. (2009) examine the impact of corporate philanthropy growth on sales growth using a sample of charitable contributions made by U.S. public companies. They find that charitable contributions are associated with future revenue, whereas the association between revenue and future contributions is marginally significant. The results are pronounced for firms that are highly sensitive to consumer perception, where individual consumers are the predominant customers. They find a positive relationship between contributions and customer satisfaction and corporate philanthropy, under certain circumstances, furthers firms' economic objectives.
Sen and Bhattacharya (2001, p. 225)	Marketing	Sen and Bhattacharya (2001) examine when, how, and for whom specific Corporate Social Responsibility (CSR) initiatives work. Both company-specific factors, such as CSR issues a company chooses to focus on and the quality of its products, and individual-specific factors, such as consumers' support for CSR issues and their beliefs about CSR, are moderators of consumers' responses to CSR. The results also highlight the mediating role of consumers' perceptions of congruence between their characters and that of the company in their reactions to the company's CSR initiatives.

Table 2. Influential Research on “Warm Glow”

Citation	Field	Scope
Andreoni (1990, p. 473)	Economics	Andreoni (1990) argues that when people make donations to private-public goods, they may not only gain utility from increasing its total supply, but they may also gain utility from the act of giving (“warm glow”). He suggests that the “impure altruism model” leads to predictions that are consistent with empirical regularities. By assuming that people are not indifferent between gifts made by themselves and gifts made by other people or the government, Andreoni (1990) says that redistribution to more altruistic people from less altruistic people will increase the total provision, that crowding out will be incomplete, and that subsidies can have the desired effect.
Andreoni (1995, p. 1)	Economics	Andreoni (1995) says that experiments on privately provided public goods find that subjects are far more cooperative than predicted, while experiments on oligopolies and the commons obtain the Nash-equilibrium predictions. Andreoni (1995) examines whether this difference could be due to a positive externality with public goods while with the others the externality is negative. The result is that subjects are more willing to cooperate when the externality is positive. This suggests a behavioral asymmetry between the warm glow of doing something good and the cold prickle of doing something bad.
Crumpler and Grossman (2008, p. 1011)	Economics	Crumpler and Grossman (2008) report the results of an experimental test of the warm glow hypothesis. A participant is presented with the opportunity to contribute from their endowment to a charity of choice. The experiment is designed so that a pure altruist has no incentive to donate. The amount the charity will receive is preset; any contribution by the participant crowds out dollar-for-dollar giving by the proctor. Participants, on average, donated 20 percent of their endowments, and 57 percent of the participants donated.

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Table 2 continued

Giebelhausen et al. (2016, p. 56)	Marketing	Giebelhausen et al. (2016) included four studies on warm glow in their research. In Study 1, people were more satisfied with a service experience when they choose to participate in the provider’s voluntary green program (e.g., recycling) – an effect mediated by the “warm glow” of participation. In Study 2, JD Power Guest Satisfaction Index data suggest that compensating participants increases satisfaction for those who do not participate but decreases satisfaction among those who do. Study 3 indicates that, compared with no incentive, an “other-benefiting” incentive increases warm glow and satisfaction for green program participants but decreases them among non-participants. Study 4 suggests that mixed incentive bundles maximize warm glow and satisfaction for both groups.
Habel et al. (2015, p. 84)	Marketing	Habel et al. (2015) suggest that prior research has firmly established that consumers draw benefits from a firm’s engagement in Corporate Social Responsibility (CSR), especially the feeling of a “warm glow.” These benefits positively affect several desirable outcomes, such as willingness to pay and customer loyalty. However, Habel et al. (2015) argue that consumers do not blindly perceive benefits from a firm’s CSR engagement but tend to suspect that a firm’s prices include a markup to finance the CSR engagement. They conclude that CSR engagement has mixed effects on consumers’ evaluation of price fairness.
Harbaugh (1998, p. 269)	Economics	Harbaugh (1998) explains that charities publicize the donations they receive, generally according to dollar categories rather than the exact amount. Donors in turn tend to give the minimum amount necessary to get into a category. These facts suggest that donors have a taste for having their donations made public. Harbaugh (1998) models the effects of such a taste for “prestige” on the behavior of donors and charities. He shows how a taste for prestige means that charities can increase donations by using categories.
Isen (1970, p. 294)	Psychology	Isen (1970) conducted three experiments that investigated the effects of the experience of success or failure on subsequent generosity, helpfulness, and attention to the social environment. Based on an intuitive formulation, designated the “warm glow of success” hypothesis, those who had succeeded on a task subsequently behaved more generously and more helpfully toward a stranger than those who had not succeeded. Those participants who failed would be less attentive to the social environment than those who succeeded.

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Table 2 continued

Monin (2003, p. 1035)	Psychology	In five studies, Monin (2003) demonstrates that the positive valence of a stimulus increases its perceived familiarity, even in the absence of prior exposure. For example, beautiful faces feel familiar. Two explanations for this effect stand out: (1) Stimulus prototypicality leads both to positivity and familiarity and (2) positive affect is used to infer familiarity in a heuristic fashion. Monin (2003) concludes that both prototypicality and a warm glow heuristic are responsible for the “good-is-familiar” phenomenon.
Nunes and Schokkaert (2003, p. 231)	Economics/ Management	Nunes and Schokkaert (2003) report the result of a valuation study researching the influence of warm glow on willingness to pay (WTP) responses. Both socioeconomic variables and motivational factor scores are significant in the explanation of the individual WTP measures. Nunes and Schokkaert (2003) compute “cold” WTP measures by taking out the effect of the warm glow motivation. These “cold” measures satisfy both the scope test and Hausman’s adding-up property.
Winterich and Barone (2011, p. 855)	Marketing	Across five studies, Winterich and Barone (2011) investigate how social identification influences consumer preference for discount-based promotions (i.e., cents-off deals) versus donation-based promotions (in which the purchase results in a donation to a charitable cause). In doing so, they demonstrate the interplay between self-construal and social identity (i.e., that associated with the particular charity featured in a donation-based promotion) on consumers’ preferences for these two types of promotions.

Table 3. Influential Research on “Price Fairness”

Citation	Field	Scope
Babin et al. (2003, p. 541)	Marketing	Babin et al. (2003) address how consumers react to various color, lighting, and price point combinations. The results depict varying consumer reactions with the three-way congruence between a store’s environmental cues, consumers’ cognitive categories representing known store types, and salient situational shopping motivations. The results suggest that the effects of environmental and price cues are mediated by consumers’ cognitive and affective associations.
Bei and Chiao (2001, p. 125)	Marketing	Bei and Chiao (2001) develop a model of product and service quality and explore the effects of these quality metrics and price fairness. The results suggest that service quality mainly affects loyalty through satisfaction, while product quality and perceived price fairness have both direct and indirect effects on loyalty through satisfaction. Overall, product quality, service quality, and price fairness are almost equally important to build up satisfaction.
Bolton et al. (2018, p. 564)	Marketing	Bolton et al. (2018) investigate the effects of cross-consumer price comparisons on price fairness as a function of culture. Collectivist (Chinese) consumers are more sensitive to in-group versus out-group differences than individualist (U.S.) consumers. The collectivist perspective orients consumers toward the in-group and heightens concerns about “face” (i.e., status earned in a social network) that arise from in-group comparisons.
Gielissen et al. (2007, p. 370)	Business	Gielissen et al. (2007) research factors that influence price fairness. The literature suggests several influencing factors: Reference prices, the costs of the seller, a self-interest bias, and the perceived motive of sellers. Gielissen et al. (2007) find evidence that these factors affect fair prices. Price increases are also judged to be fairer if they benefit poor people or small organizations rather than rich people or big organizations.

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Table 3 continued

Herrmann et al. (2007, p. 49)	Marketing	Herrmann et al. (2007) link the concepts of price fairness and customer satisfaction. They also examine factors that influence price fairness including price perception and consumer vulnerability. Price perceptions both directly and indirectly influence satisfaction judgments through perceptions of price fairness. Consumers' vulnerability, which is induced by a perceived demand-supply relationship and the urgency of need from the consumers' side, was also found to harm price fairness.
Martins and Monroe (1994, p. 75)	Marketing	The value of a product is suggested to be a tradeoff between the perceived benefits, or quality, offered by the product, and the sacrifice, both monetary and non-monetary, perceived as necessary to acquire it. Price-quality relationship research has identified brand, level of advertising, and store image as variables affecting perceived product quality, but so far, no variable has been shown to moderate perceived sacrifice. Martins and Monroe (1994) suggest that price fairness, a concept derived from equity research, may be a variable moderating perceived sacrifice, perceived product value, and willingness to buy.
Maxwell (2002, p. 191)	Psychology/ Economics	Maxwell (2002) tests the effect of rule-based price fairness (as opposed to fairness in the sense of "cheap"). Perceived rule-based price fairness is shown to influence the fairness of the seller's pricing process which affects buyers' attitudes toward the seller and willingness to purchase. Results indicate that knowledge of how a price has been determined affects how the price is perceived. So, not just the price tag but also how that product price has been determined affects consumers' perceptions of fairness and willingness to purchase.
Oh (2003, p. 387)	Tourism/ Hospitality	Building on economic utility theory, Oh (2003) investigates pricing with a focus on asymmetric effects of positive and negative price deviations – deviations from the reference price – on the overall price, quality, and value of traveling lodging customers. Results indicate that asymmetric effects between positive (i.e., gain) and negative (i.e., loss) price deviations exist in buyers' judgments of quality and value, but this is not the case in overall price perceptions.

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Table 3 continued

Xia et al. (2004, p. 1)	Marketing	Over the years, researchers have developed and adapted various theories to obtain an understanding of when and how buyers form price fairness judgments. Fairness has been defined as a judgment of whether an outcome and/or the process to reach an outcome are reasonable, acceptable, or just. Xia et al. (2004) integrate the theoretical foundations of price fairness and summarize findings on price fairness.
Zwick and Chen (1999, p. 771)	Management Science	Zwick and Chen (1999) research bargaining behavior in situations where one party is in a stronger position than the other. They investigate both the tradeoff that the favored party makes between pursuing their strategic advantage and giving weight to other players' concern for fairness and the tradeoff the disadvantaged player makes between pursuing a fair outcome from a disadvantaged position and the cost of that pursuit.

Even with these constraints and flexibility to do good, or not, Falck and Hebllich (2007) contend that practicing social responsibility is not only altruistic “do-gooding,” but also an avenue that firms can leverage to thrive as part of a long-range strategy of sustainability actions (Ariely et al., 2009; Eichholtz et al., 2010). This direct impact approach is sometimes referred to as “prosocial behavior” (Ariely et al., 2009).

2.2. Warm Glow

Warm glow is a way for people and policymakers to, in essence, justify to themselves, and others, that buying sustainable products can come at a higher cost than competitive non-sustainable products in many cases (Monin, 2003; Nunes & Schokkaert, 2003). Originating from work on “impure altruism” (Andreoni, 1990), warm glow’s properties include that “people are motivated to do good deeds at least in part because of the emotional benefit they receive” (Giebelhausen et al., 2016, p. 57). These definitional properties imply that customers, for example, at times are willing to sacrifice additional monetary and non-monetary resources for a similar (or lower) quality product because the purchase is good for the environment, planet, and communities and, by that, makes the customers feel good about their purchase (Crumpler & Grossman, 2008; Winterich & Barone, 2011). Sometimes the warm glow feeling also connects to the firm itself, not just the product received. In support, Habel et al. (2015) argue that customers receive tangible (product quality) and intangible benefits (“warm glow”) from social responsibility initiatives that a firm engages in.

In parallel, the phenomenon of warm glow can be viewed as very much analogous to people donating their funds to what they consider worthy causes (Harbaugh, 1998). Andreoni (1995, 1990) argues that when people make donations in private to public goods, they increase their utility by increasing the total supply of such public goods as well as increasing their utility from simply the act of giving (“warm glow”). In these cases, there is not an obvious return on investment (ROI) attached to such donations – although in many cases an ROI of some form is at least implied for the individual or, more likely, society. Strategically, firms can be part

of the equation of developing this warm glow among their customers by incentivizing them properly (Giebelhausen et al., 2016). In this scenario, it is not about customers creating in their minds what is valuable or not but instead what a larger community builds around a firm’s messaging and its current and potential customer bases’ perceptions of what is valuable.

2.3. Price Fairness

“Price fairness,” a term coined by Xia et al. (2004, p. 3), is “a consumer’s assessment and associated emotions of whether the difference (or lack of difference) between a seller’s price and the price of a comparative other party is reasonable, acceptable, or justifiable.” Broadly, price fairness represents ethical, practical, and bargaining issues within the context that price is a function of and constrained by a variety of factors (e.g., slack resources). On the latter, Zwick and Chen (1999) researched bargaining behavior, with the setup being that a buyer or seller in an exchange is in a more advantageous position than the other party, but both parties were asked to compromise for the sake of justice and fair-mindedness. They considered the tradeoff that either the buyer or seller has to make between leveraging his/her advantage and allocating weight to the other party in the spirit of price fairness. Zwick and Chen (1999) also considered the tradeoff that the disadvantaged buyer or seller has to make between bargaining for a fairer price and the cost of that negotiation. Their conclusion is: “Fairness has a price such that the higher its price, the lower the demand for it [and] this suggests that demands for fairness are subject to cost-benefit evaluation, are in this sense deliberate, and are well thought out” (Zwick and Chen, 1999, p. 804). This cost-benefit evaluation has been examined using various theories to understand when and how customers form price fairness judgments (Xia et al., 2004).

However, regardless of the theory used to understand price fairness, many firms will develop and implement sustainability initiatives if their bottom-line performance can gain from such initiatives or at least not increase the costs of producing market-competitive products and services (Bolton et al., 2018). From the individual customer’s side, many will also buy prod-

ucts that are sustainably manufactured or made to be sustainable if there is no difference in quality to non-sustainable substitutes and if the prices are market competitive (Babin et al., 2003). The latter anchor is important – if the products have been designated competitive prices. For example, if a Tesla Model X vehicle (MSRP of \$79,990 for 2024 year’s model) was priced at the same level as a Ford Explorer (MSRP of \$36,760 for 2024 year’s model), people would likely buy more Tesla Model X vehicles than they are now relative to the Ford Explorer. The argument is that the Tesla Model X is a more sustainable vehicle than a Ford Explorer. But that is not a realistic cost-to-benefit scenario. The Tesla Model X costs more to make, is more sophisticated technologically and operationally, and will thus be priced higher.

Instead, many firms have as a goal to manufacture sustainable products at largely the same costs as competitive alternatives (e.g., Bei and Chiao, 2001). At the same time, price fairness incorporates the fact that when sustainability came into vogue some 30 years ago with the release of the Brundtland report, prices for products that were sustainable were percentage-wise higher relative to non-sustainable products than they are today. The evolution is also clear: Soon sustainable and non-sustainable products must be priced at the same cost-benefit level across the marketplace’s influencing factors. The literature suggests several influencing price factors: costs of the seller, motives of sellers, reference prices, and self-interest bias. Gielissen et al. (2007) find evidence that all of these factors affect fair prices. Contextually, price increases are also viewed to be more tolerable if the result is that poorer customers and/or smaller firms also benefit in the price equation instead of, or at least in addition to, rich customers or large corporations, but ultimately customer satisfaction drives the price fairness evaluation (Herrmann et al., 2007). Firms that cannot support competitive cost-benefit pricing and value to customers (e.g., via cost-effective manufacturing and economical delivery of product quality) will lose out on market opportunities (Martins & Monroe, 1994).

The value of a product is, in essence, a tradeoff between benefits and costs (i.e., value is defined

as the ratio of benefits received from the product/service quality and the sacrifices given up in the exchange, including price and non-price costs). Studies on the price-quality relationship have identified advertising, the product/service brand, and store image (brick-and-mortar and online) as perceptual cues that affect product quality, but so far, limited research has been conducted to identify moderating effects involving perceived sacrifice and sustainability. However, Martins and Monroe (1994) suggested that price fairness, which originated in equity research, is a variable that influences a customer’s sacrifice, the perception of product value, and a person’s willingness to buy. Maxwell (2002) also finds that knowledge of how the price of a product has been determined affects how the actual price is perceived by customers. So, it is not just the price tag, or asymmetric influences of price deviations from a product’s competitive reference price (Oh, 2003), but how the price has been determined that also affects a customer’s assessment of price fairness and his or her willingness to buy the product. Transparency in determining the price is often as critical as the price itself in terms of the perception of price fairness or unfairness (Xia et al., 2004).

3. Delineating the Theory

As a basis for the development of a theory of market-based sustainability, we modify the economics-based supply and demand theory to illustrate how both “doing good” and “warm glow,” as a function of a firm’s sustainability actions, are generated as a result of quality improvements and cost/price containments (e.g., price fairness). Much like the classical supply-and-demand curves, the diagram in Figure 1a has quantity along the horizontal x-axis, but we replace price on the vertical y-axis with quality (Hirschman, 1970). For our theorizing purposes, quality refers to “quality of life” as determined by the expectations of a firm’s stakeholders (with a particular emphasis on customers). This price-to-quality swap creates the setup for our theorizing concerning market-based sustainability.

For clarity and ease of argument, we consider the quantity and quality curves as steady-state linear,

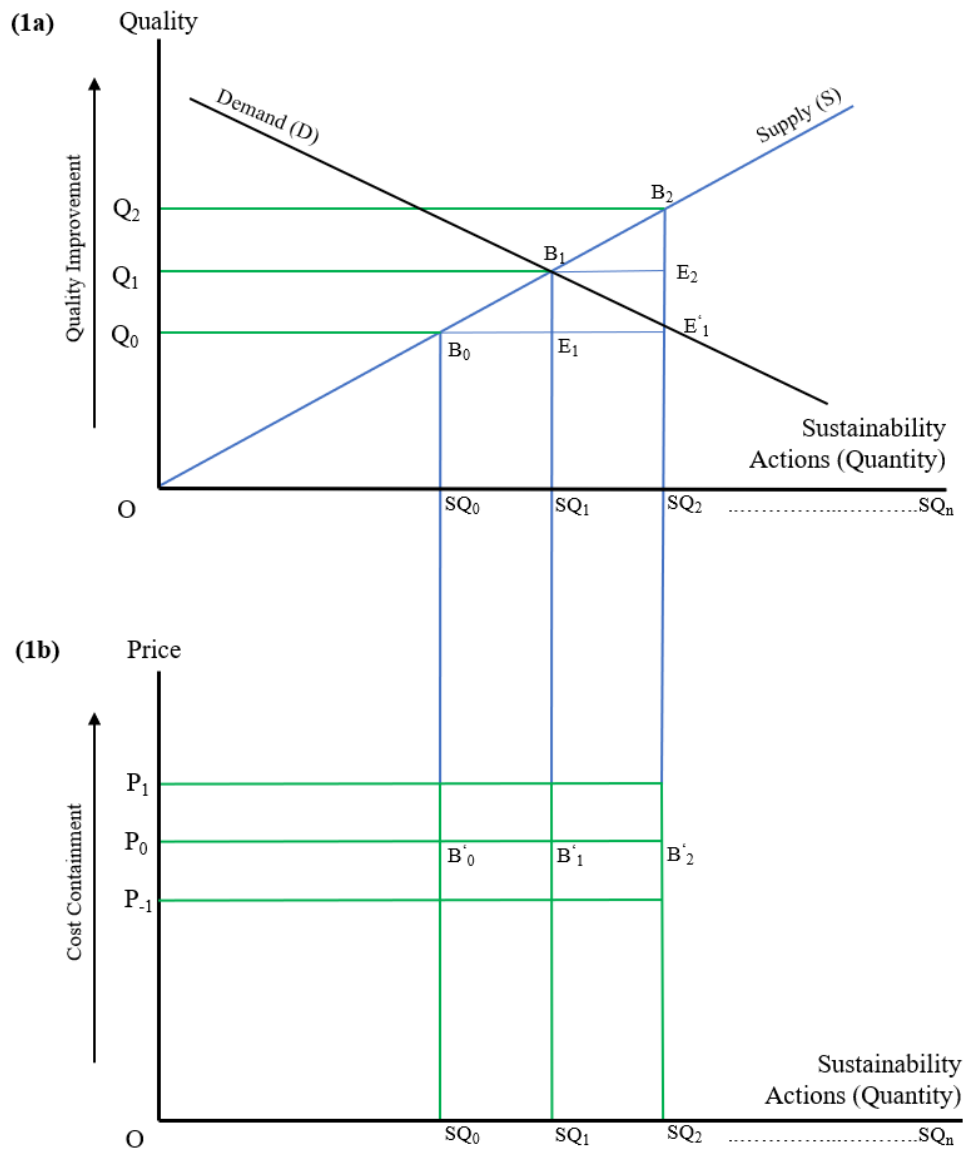
although the slopes in [Figure 1a](#) are purely for illustrative purposes. In reality, the slopes could be steeper or flatter, depending on the market scenario, and the linearity of the curves is unlikely to be practical in many cases. Firms' experience effects, for example, in implementing sustainability initiatives likely make the supply curve concave to some degree (i.e., which could be depicted as an inverse U, although with a flattening feature and then a very soft inflection point). This would result in a more rapidly upward slope than the linear curve but would then flatten out (framed within the law of diminishing marginal returns in economics) and subsequently turn softly downward (framed within the notion of negative returns) when the number of sustainability initiatives undertaken by the firm begins to adversely affect opportunity costs and resource allocation. More sustainability activities implemented at that point may be counterproductive to other developments the firm needs to or should offer the customer. Likewise, the demand curve is likely to be concave, with the understanding that customers at some point reach the maximum quality-of-life benefits that can be gained from one firm's sustainability initiatives, at which point there is a flattening of the curve and then a soft inflection point and a downward slope.

As used in our theorizing, definitions of the constructs are summarized in [Table 4](#). With the theoretical boundary assumptions delineated in the previous paragraph, the theorizing regarding market-based sustainability involves a firm's direct impact (doing good), indirect impact (warm glow), the (potential) synergies among sustainability actions, and price fairness that is anchored in competitive market forces. As a start, the quality-elasticity of supply, that is, the warm glow "feeling" among customers to upward changes in quality, is assumed to be given, without regard to the possibility and prospective effectiveness of directly or synergistically doing good. As such, quality-of-life increases as we move up the axis (i.e., a firm's sustainability actions are compounded), which preserves the traditional positive slope of the supply curve. Likewise, incremental quality-of-life improvements have a lower relative increased impact as a firm implements additional sustainability

actions (based on the law of diminishing returns, a point that is elaborated on more practically in the discussion section relative to achieving a point of maximum sustainability yield). In the illustration of the theory in [Figure 1a](#) and [Figure 1b](#), we use Q_n to signify the level of quality-of-life assessments, SQ_n to designate sustainability quantity (with a practical reference to UN's 17 SDGs), and P_n for market-related price competitiveness (to focus on "price fairness").

As quality moves from Q_1 (which indicates an "average" sustainability involvement by a firm in an industry and, thus, can be viewed as an industry equilibrium) to an increased state in Q_2 (i.e., an additional sustainability action has been implemented by the firm), demand drops from SQ_1 to SQ_2 . Q_0 represents the lowest practical benchmark of sustainability actions by a firm in an industry given the sustainability infrastructure in which the firm operates (e.g., [Nilsson et al., 2016](#)). Based on competitive market forces, this decline in demand is due to diminished pressures to be sustainable from a firm's primary stakeholders (communities, customers, employees, regulators, shareholders, and suppliers), but also potentially a decline in demand-initiated actions by the firm's secondary stakeholders (e.g., competitors, interest groups, mass media, social media, and trade associations) to engage in sustainability actions ([Donaldson & Preston, 1995](#); [Mitchell et al., 1997](#)). In other words, internal firm dynamics and external market forces provide less demand on the firm to implement additional sustainability actions when they have already implemented (some) actions. This is the case when a firm is viewed by stakeholders as having achieved a "good" level of sustainability in their operations, products, and services (determination of a "good level" is arbitrary in the theorizing but is usually done practically via market forces as an industry assessment).

The "steepness" of the curves (the elasticity of changes in quality on demand) is non-constant and dependent on a variety of market forces. As we stated earlier, the steepness in [Figure 1a](#) is wholly arbitrary and illustrative only. The factors that do affect the slope include, for example, the infrastructure provided for sustainability efforts in the macro environment



- Δ B₀E₁B₁ = Direct impact from SQ₁ (“doing good” impact from SQ₁)
- Δ B₁E₂B₂ = Direct impact from SQ₂ (“doing good” impact from SQ₂)
- E₁E'₁E₂B₁ = Multiplier effect from implementing SQ₁ and SQ₂
- B'₀SQ₀SQ₁B'₁ = Indirect impact from SQ₁ (“warm glow” impact from SQ₁)
- B'₁SQ₁SQ₂B'₂ = Indirect impact from SQ₂ (“warm glow” impact from SQ₂)
- P₀-P₋₁ = Price fairness range (assuming price is a function of cost)

Figure 1. A Theory of Market-Based Sustainability

Table 4. Definitions of Theoretical Constructs

Construct		Definition
Doing good	Ariely et al. (2009, p. 544)	As used in this research, doing good is often rooted in corporate social responsibility and, in that context, doing good is defined as a firm contributing to making a certain quality of life situation better for people.
Double helix	Lundan (2018, p. 3)	The double helix is defined as “two strands share a common theoretical core, with one strand that leads to answers relevant for managerial practice and the other to insights relevant for policy.”
International business ecosystem	Hult et al. (2020)	“The international business ecosystem is defined as the organisms of the business world – including stakeholders, organizations, and countries – involved in exchanges, production, business functions, and cross-border trade through both marketplace competition and cooperation.”
Market-based sustainability	Current research	Market-based sustainability is defined as cultivating the business-societal/environmental interface involving institutions, markets, and organizations with a conscious positive business focus on customers’ product/service needs and wants and other stakeholders’ interests to contribute to a sustainable international business ecosystem
Price fairness	Xia et al. (2004, p. 3)	“Price fairness” is “a consumer’s assessment and associated emotions of whether the difference (or lack of difference) between a seller’s price and the price of a comparative other party is reasonable, acceptable, or justifiable.”
Quality of life	Becker et al. (2005)	Quality of life is defined as a measure of an individual’s happiness relative to that person’s preferences and context.
Sustainability	Hollensbe et al. (2014, p. 1232)	“Sustainability means seeking to replace what we use and repair what we damage, striving to leave the planet in a better condition than that in which we found it.”
Synergy effect	Current research	As related to theorizing in this paper, a synergy effect is defined as the multiplier effect from implementing more than one sustainability initiative.
Value	Current research	Value is defined as the ratio of benefits received from the product/service quality and the sacrifices given up in the exchange, including price and non-price costs.
Warm glow	Andreoni (1990); Giebelhausen et al. (2016, p. 57)	Originating in research on “impure altruism” (Andreoni, 1990), warm glow is defined as “people are motivated to do good deeds at least in part because of the emotional benefit they receive” (Giebelhausen et al., 2016, p. 57)

(e.g., by the country in which a firm is located), the number of competitors in an industry (e.g., sustainability efforts by both established and new-market-entrant competitors), type of product or service purchased (e.g., commodity vs. non-commodity, discretionary vs. non-discretionary), barriers to customers switching to another product/service and/or firm, and investment in or price paid for the product/service (hereafter we use the product to refer to both a product or service for simplicity). The latter is a way to integrate “price” in the modeling (as a cost containment or “price fairness” issue) in line with traditional supply-and-demand diagrams (see Figure 1b). These are factors that affect the supply and demand that also give rise to the conditions in which market-based sustainability initiatives can be developed, nurtured, and lasting. There is a practical eloquence in the integrative depiction of the economics-based supply-and-demand theory and the overlap in certain respects with the proposed market-based sustainability theory. This theoretical overlap makes the sustainability theory practical and dynamically intuitive.

Building on this overlap in economics logic as well as theorizing in exit-voice-loyalty theory (Hirschman, 1970), Figure 1b shows the conventional representation of price along the vertical axis (Hult & Morgeson, 2020). Importantly, both Figure 1a and Figure 1b are marked by quantity on the horizontal axis. For simplicity, quantity is stated as the number of sustainability actions implemented by the firm (in the spirit of the 17 SDGs). However, quantity could also be the degree of impact, importance, involvement, or commitment metric related to market-based sustainability. While arbitrary herein, the steepness of the demand and supply curves is critical to understanding the predictions of the theory of market-based sustainability vis-à-vis philanthropic-based sustainability. This includes both a stakeholder’s propensity to engage with the firm (e.g., a customer buying a product) and a firm’s incentive to implement sustainability actions (SQ_1 to SQ_n). For both curves, the steepness defines the direct impact, indirect impact, and multiplier effects of a firm’s sustainability actions. These effects are represented in Figure 1a and Figure 1b in the areas defined by the $B_0 E_1 B_1$ trian-

gle; the $B_1 E_2 B_2$ triangle; the $E_1 E'_1 E_2 B_1$ quadrant; the $B'_0 SQ_0 SQ_1 B'_1$ quadrant; and the $B'_1 SQ_1 SQ_2 B'_2$ quadrant.

When firms decide to develop and implement sustainability actions, the rationale for such efforts has typically been rooted in areas $B_0 E_1 B_1$ and $B_1 E_2 B_2$ in Figure 1a. These triangles represent the direct impact, or “doing good,” that can be expected to be perceived as a positive impact by at least a portion of the firm’s stakeholders from a firm implementing sustainability actions SQ_1 and SQ_2 , respectively (Eichholtz et al., 2010; Falck & Heblich, 2007; Sen & Bhattacharya, 2001). The logic of anchoring a firm’s sustainability actions in triangles $B_0 E_1 B_1$ and $B_1 E_2 B_2$ within the supply-and-demand modeling is relatively straightforward and practical. By putting the supply-and-demand curves together, we can easily find the intersection of quality-of-life benefits and a firm’s sustainability actions (quantity), where a firm has maximized its direct, visible, and practical effect of market-based sustainability in the most cost-efficient way. Oftentimes many customers are eager to sacrifice more to obtain a product that is linked with a quality-of-life increase for them.

However, adopting such a narrow supply-demand or cost-analysis focus is not necessarily beneficial to the development of a theory of market-based sustainability. Firms that want to truly engage in sustainability actions that increase quality-of-life among their stakeholders need to model impact beyond areas $B_0 E_1 B_1$ and $B_1 E_2 B_2$. Simplistically, the impacts that are inherent in areas $B_0 E_1 B_1$ and $B_1 E_2 B_2$ can, most of the time, be captured in traditional economics-based supply-and-demand models. That is, viewing areas $B_0 E_1 B_1$ and $B_1 E_2 B_2$ in isolation, the demand curve shows the quantities of a product that customers are willing/able to buy at each price point (during a specified period). The supply curve illustrates the quantities of the products that firms are willing to offer for sale at each price point (during that same period). By putting the supply-and-demand curves together, we can find a price at which quantity the customers would buy equaling the quantity at which firms are willing to offer the products for sale. But this equilibrium already includes the sustainability impact that customers can

expect to reasonably receive in such an exchange (i.e., the value or price-to-quality ratio that the customers expect to receive). Instead, the synergy quadrant, $E_1 E'_1 E_2 B_1$ (which represents the potential multiplier effect from implementing both SQ_1 and SQ_2) along with the “warm glow” quadrants, $B'_0 SQ_0 SQ_1 B'_1$ and $B'_1 SQ_1 SQ_2 B'_2$ (which represent the indirect impact, or “warm glow,” from SQ_1 and SQ_2 , respectively) are critical to fully capturing a firm’s sustainability actions and effects. Without compounding the direct, indirect, and synergy impact, firms will allocate cost estimates that are too high for the undertaken sustainability actions (quantity) or they will allocate sustainability impact estimates that are too low, or both (Liu et al., 2015).

The impact of the synergy quadrant, $E_1 E'_1 E_2 B_1$ (i.e., the potential multiplier effect from implementing SQ_1 and SQ_2), can be explained in three important ways that theoretically create the robustness of the synergy quadrant as an illustration of sustainability impact that needs to be accounted for by firms. These include (1) economies of scale, (2) combinative capability, and (3) complementarity effect. First, economies of scale (Stigler, 1958) is the most simplistic and the most logical fit with the economics-based supply-and-demand curves in Figure 1a. Broadly, as it applies to our theory, a proportionate saving in cost is gained for each additional implemented S_n (i.e., it becomes less costly and/or easier to implement SQ_2 than it was SQ_1 , and so on since each S_n is embedded in the general area of market-based sustainability). Second, the notion of a “combinative capability” was developed by Kogut and Zander (1992, p. 383) who argued that a firm can achieve increased effects beyond an additive nature by combining the knowledge that has been used separately for various activities previously. Consequently, if a firm has engaged in previous sustainability actions, combining the related sustainability learnings should then result in additive (direct) effects plus a multiplier (synergy) effect (i.e., $S_1 + S_2 + S_1 * S_2$). Third, the complementarity effect (e.g., Hess and Rothaermel, 2011, p. 895) also draws on the uniqueness of implementing multiple sustainability actions. Take the simple relationships of $A + B \rightarrow C$. When tested at the same

time for complementarity in a standard multiple OLS regression, both A and B positively affect C, but neither A nor B would affect C in separate simple regressions ($A \rightarrow C$, $B \rightarrow C$). As such, complementarity can be said to exist between A and B on C; both A and B must be in the equation to influence C.

The “warm glow” quadrants, $B'_0 SQ_0 SQ_1 B'_1$ and $B'_1 SQ_1 SQ_2 B'_2$ (i.e., the indirect impact from SQ_1 and SQ_2 , respectively), are a function of the price-fairness effects illustrated by P_n in Figure 1b. P_0 represents the price for a competitive product substitute from another firm and/or the product from the focal firm before it was created sustainably (and P_1 represents a lower price than P_0 while P_{-1} represents a higher price than P_0). For clarity, cost containment in Figure 1b is improved as the price point is located higher on the graph. The belief is that many customers would purchase a product that was made sustainably if the price/cost was not prohibitive (Bolton et al., 2018; Gielissen et al., 2007; Herrmann et al., 2007). An argument can be made that sustainable products that were priced at the same level (P_0) as competitive non-sustainable products would over time become the new norm (which, in effect, is represented by B_0). This is, in reality, the evolution that the marketplace has seen in several product categories in recent times (e.g., electrical cars) and perhaps also what is increasingly being demanded by the SDG-influenced market dynamics.

Before a new norm is in effect for a specific product in an industry, P_0 defines the area in which customers materialize a warm glow effect by purchasing sustainable products (i.e., $B'_0 SQ_0 SQ_1 B'_1$ and $B'_1 SQ_1 SQ_2 B'_2$). In addition, for customers who are driven to be sustainable, a higher price (P_{-1}) is often not a deterrent to buying sustainable products. These customers achieve a sense of emotional reward and a warm glow from being “sustainable citizens” (Andrews et al., 2014; Habel et al., 2015; Monin, 2003). As applied to our theory of market-based sustainability, warm glow also represents a consideration among customers of a sense of “moral satisfaction” (Kahneman and Knetsch, Kahneman and Knetsch, p. 57) that influences the impact they receive from buying sustainable products. Importantly, as an idea originat-

ing in economics (e.g., [Andreoni, 1989](#) [1990, 1990](#)) the concept of warm glow can also theoretically coordinate effects across [Figure 1a](#) and [Figure 1b](#) in our theory. Specifically, as modified to our theory of – from a warm glow focus on gift giving at the individual level in economics – firms can be “impurely altruistic” in their sustainability efforts. This means that firms can simultaneously maintain both altruistic (indirect sustainability impact or “doing good”) and selfish (direct sustainability impact or “pure warm glow”) motivations for implementing S_n sustainability actions. Hence, it is not incumbent on either the customer or the firm “adjusting the warm glow thermostat” ([Giebelhausen et al., 2016](#), p. 56) but instead firms better understanding why customers would potentially prefer products or services linked to sustainability, and then delivering products that create a warm glow for these customers (and ideally also for the firms).

4. Discussion and Implications

The notion of being sustainable and making decisions based on sustainability considerations has reached almost epidemic proportions around the globe. As an example, Time Magazine’s 2019 “Person of the Year” was Swedish teen activist Greta Thunberg, at 16 years old the youngest ever Time “Person of the Year”. She focuses her sustainability efforts primarily on climate change issues but has interests also in a broader set of environmental issues. Thunberg has created a popular climate teen movement around the world, but one that recent Nobel Prize winners, such as Abhijit Banerjee, Esther Duflo, and Michael Kremer, for example, have shown can be solved within frameworks based on economics principles ([Banerjee & Duflo, 2019](#)). Relatedly, the theory of market-based sustainability shows how firms can be market-competitive and economically viable. The theory addresses “calls for an understanding of how multinational enterprises (MNEs) engage with sustainable business practices and how the SDGs may be better implemented by the private sector” ([Topple et al., 2018](#), p. 61). Similarly, the framework of the SDGs urges “MNEs to adopt sustainable practices and to integrate sustainability information into their reporting cycle” ([Dilyard and Witte, 2018](#), p. 1).

Although evidence suggests that “the market share of brands positioned using ethical attributes typically lags behind brands that promote attributes related to product performance” ([Peloza et al., 2013](#), 104), future consumption might include scenarios where customers choose products for their sustainability attributes based on warm glow incentives. Potentially, such sustainability attributes could also become part of the “performance fabric” when evaluating products and, as such, could be captured by quality-related attributes. If so, the dynamic of the theory of market-based sustainability would involve a modification of the Q_n - SQ_n relationship upwards in positive impact (i.e., the embedding of sustainability attributes within the performance-related quality standards). By extension, developing, producing, and selling sustainable goods could also have a positive effect on the environment and certain societal challenges, but it requires strategies that connect the emotion of guilt with opting for what is not morally accepted. Such a strategy is likely to be context and/or segment specific.

The world is not (yet) led by a consumption domain that is predominantly self-controlled toward sustainability performance or morally oriented standards. Despite the rapid increase in attention to sustainability around the world in the last decade (and to some degree since the 1987 Brundtland report), the attention itself is not the same as to say that firms and customers are necessarily seriously taking sustainability into consideration in their behaviors. In many cases, it is kind of like saying we support recycling but do not necessarily recycle ourselves. On the plus side, though, this “paying lip service” to the concept of “being sustainable” has implications that ultimately become practical. The bottom line is that if “sustainability means seeking to replace what we use and repair what we damage, striving to leave the planet in a better condition than that in which we found it” ([Hollensbe et al., 2014](#), p. 1232), then many customers will be mindful of at least evaluating competitive (e.g., quality, price) product and service alternatives that are more environmentally and socially sustainable.

With these basic premises as a setup, we developed a theory of market-based sustainability. The theory

captures the core tenets of a competitive market-based theory of sustainability within the general scope of the economics-based supply and demand model. We drew complementary theoretical logic from market-based theories (Chabowski et al., 2011; Maclaran et al., 2010) as well as theoretical inspiration from the economics-based exit-voice-loyalty theory (Hirschman, 1970) to also capture customer sentiments effectively (Hult & Morgeson, 2020). In aggregate, our theorizing about sustainability involves a firm's direct impact (doing good), indirect impact from customers' perceptions about the value they received (warm glow), the synergistic effects from firms implementing multiple sustainability actions (i.e., it gets easier to implement additional initiatives), and price fairness to customers (while still preferably covering firm costs for the product, at least in the long run). We summarize the implications of the theory of market-based sustainability using the theory's core building blocks – doing good, warm glow, and price fairness – in Table 5 within the context of the “cube” (2*2*2 matrix) in Figure 2.

Doing good, in actuality, has become a way for many firms to stress their corporate social and environmental responsibility and exemplify a positive message and involvement in the communities in which they operate. This direct impact approach often means that many firms spend a certain amount of their budget on sustainability-related initiatives that assist people to be more successful than they most likely would be without such assistance. Many firms also prefer to assist the local community with, for example, infrastructure improvements that they cannot take on themselves; or developing local suppliers. Such doing-good initiatives have a multiplier effect since the larger community and its citizens benefit at a group level, either by directly using what the firm sponsored or by the community not having to allocate funds for the initiative. For the firm, the notion has always been that doing good has a direct effect on what people think of a firm, and, as such, people would want to engage with that firm as customers and/or as stakeholders. So, there is a return mentality within the framework of doing good but not necessarily an annual-reporting accounting of such per-

formance.

Warm glow is a way for people and policymakers to justify to themselves that buying sustainable products can come at a higher cost than (more) competitive non-sustainable products. If needed to support sustainability initiatives by the firm, the logic is that stakeholders should be willing to sacrifice cost and/or quality because it is good for the environment, planet, and communities and, by that, makes the stakeholders feel good about their sustainability support. This is very much a parallel to people donating their funds to what they consider worthy causes. In these cases, there is not an obvious return on investment attached to such donations – although in many cases an ROI of some form is at least implied. Strategically, firms can be part of the equation of developing this warm glow among their customers by incentivizing them properly (Giebelhausen et al., 2016). Oftentimes, warm glow is not necessarily about customers and firms independently deciding on what is valuable in terms of sustainability but instead what the actors within the international business ecosystem perceive is valuable. Our theorizing supports this indirect warm-glow effect of a firm's sustainability efforts on product-market performance.

See the descriptions of the eight market scenarios in Table 5.

Price fairness is both an ethical issue and a practical one. Multiple times in our theoretical development we made arguments that many firms will develop and implement sustainability initiatives if their bottom-line performance can gain from such initiatives or at least not increase the costs of producing market-competitive products. From the customers' side, many customers will buy products that are sustainably manufactured or made to be sustainable if there is no difference in quality to non-sustainable substitutes and if the prices are market competitive. The goal is to manufacture sustainable products at the same general costs as competitive alternatives. Price fairness alludes to the fact that some decades ago when sustainability came into vogue, prices for sustainable products were percentage-wise higher than they are today. And the evolution is clear: Soon sustainable and non-sustainable products must be priced

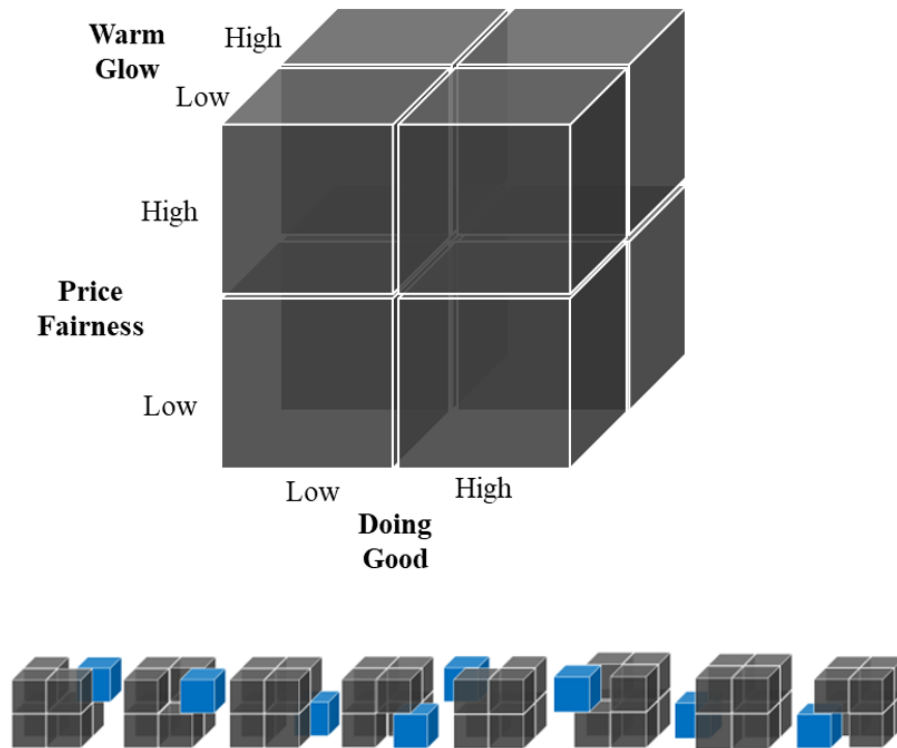









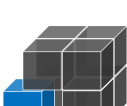
Figure 2. Framework to Assess the Effects of Market-Based Sustainability

at the same level to be market competitive. Firms that cannot support this market-competitive pricing (e.g., via competitive manufacturing, and delivery of competitive product quality) will likely lose out on market opportunities. Overall, our theorizing strongly supports a price fairness effect within the context of a firm's sustainability efforts.

Beyond doing good, warm glow, and price fairness, it is also prudent to stress the theory's integration of **synergistic effects**. These are effects that can materialize across multiple blocks in the three-dimensional matrix in Figure 2. The synergistic effects of implementing multiple sustainability initiatives are often lost on firms. We explained this synergy in three important ways when developing the theory: (1) economies of scale, (2) combinative capability, and (3) complementarity effect. The most obvious is that adding one more sustainability initiative for a firm that already has implemented at least one such initiative previously often

has a lower resource allocation (e.g., cost) attached to it than a firm that decides to engage in sustainability for the first time. A proportionate saving in cost is likely gained for each additional implemented S_n (i.e., it becomes less costly and/or easier to implement SQ_2 than it was SQ_1 , and so on since each S_n is embedded in the general area of the market-based sustainability theory). We also argue that increased sustainability effects beyond an additive nature can be achieved by firms by combining the knowledge that has been used separately for various sustainability activities previously (combinative capability) and that implementing some sustainability initiatives can feed off each other in a collective sense (complementarity effect). Our theorizing supports this synergistic effect of a firm's sustainability efforts.

Table 5. Implications Associated with the Sustainability Quadrants

Sustainability Quadrant	Quadrant Location*	Marketing Implications
Doing Good (High) * Price Fairness (High) * Warm Glow (High)		Scenarios in this quadrant include firms selling differentiated products that are marketed based on their favorable benefit-to-cost ratio and quality-of-life attributes.
Doing Good (High) * Price Fairness (High) * Warm Glow (Low)		Scenarios in this quadrant include firms selling differentiated products that are marketed based on their favorable benefit-to-cost ratio.
Doing Good (High) * Price Fairness (Low) * Warm Glow (High)		Scenarios in this quadrant include firms selling differentiated products that are marketed based on their favorable quality-of-life attributes.
Doing Good (High) * Price Fairness (Low) * Warm Glow (Low)		Scenarios in this quadrant include firms selling differentiated products that are marketed based on their functional and universal set of benefits.
Doing Good (Low) * Price Fairness (High) * Warm Glow (High)		Scenarios in this quadrant include firms selling commoditized products that are marketed based on a favorable benefit-to-cost ratio and quality-of-life attributes.
Doing Good (Low) * Price Fairness (High) * Warm Glow (Low)		Scenarios in this quadrant include firms selling commoditized products that are marketed based on a favorable benefit-to-cost ratio.
Doing Good (Low) * Price Fairness (Low) * Warm Glow (High)		Scenarios in this quadrant include firms selling commoditized products that are marketed based on a favorable set of quality-of-life attributes.
Doing Good (Low) * Price Fairness (Low) * Warm Glow (Low)		Scenarios in this quadrant include firms selling commoditized products that are marketed based on ease of access, convenience, and context.

*: see [Figure 2](#)

Importantly, as a practical takeaway from the theory, without compounding the direct, indirect, and synergy impact that can be gained from sustainability efforts, firms will likely allocate cost estimates that are too high for the undertaken sustainability actions (quantity) or they will allocate sustainability impact estimates that are likely too low (quality), or both. Theoretically, driven by the law of diminishing returns and exit-voice-loyalty theory (Hirschman, 1970), revenue-maximizing firms should analyze their sustainability actions relative to where they are most productive (i.e., where the sustainability actions provide the most quality-of-life benefits to stakeholders, including a core focus on customers) and where they can achieve a point of maximum yield. This also becomes a calibration between synergistic effects from firms implementing multiple sustainability actions (i.e., it gets easier to implement additional sustainability initiatives) and a diminishing returns outcome when multiple sustainability actions are implemented. More transparently, the synergy effect – diminishing-returns dynamic works in opposite directions and needs to be calibrated for maximum sustainability yield. Here, the theory of market-based sustainability, with its integration of direct, indirect, and synergistic effects within a price fairness scope, can effectively explain and facilitate the prediction of the point of maximum yield from sustainability actions. Practically, this maximum yield point falls somewhere between the point of diminishing returns and the point where negative returns are materialized, often beyond the increasing marginal returns that appear early in a firm's sustainability development.

Drawing from **philosophy of science**, and specifically logical empiricism (which is often used and implicitly defaulted to in marketing strategy research), we conclude this paper with a basic setup for the empirical analyses that can be done using our theorizing. Consequently, there are assumptions, language, activities, products, and goals that stem from the theory. First, the assumption is that the social world is a hard, concrete, and real entity that can affect virtually everyone. Practically, this means that Figure 1 provides a sustainability structure for the relationships between various constituencies (e.g., firms, customers). Second, the lan-

guage we use includes elements, formation rules, and definitions. As such, we view our definitions as nominal definitions as opposed to operationalized definitions (since context and metrics affect the operationalization and our paper is theoretical only). Third, our intention, or purpose, with the activities highlighted in the paper was to select certain facts (e.g., doing good, warm glow, and price fairness), register these facts, arrange these facts in a logical pattern, and set forth a formula/interpretation about the generality of these facts (e.g., Figure 1). Fourth, in the broadest sense, our product, as it relates to theory, is the knowledge generation inherent in the theorizing (i.e., a market-based theory of sustainability). Fifth, in the spirit of logical empiricism, we seek to find the “truth,” but with the realization that it cannot be fully corroborated.

Instead, we believe that bridge laws, followed by testing hypotheses are the best way to corroborate theory. In that vein, hypotheses that can stem from our market-based theory of sustainability include relationships that examine the effects between a firm's sustainability actions and customers' quality-of-life issues; dynamics and sensitivity analyses that involve doing good, warm glow, and price fairness; examination of the value of synergy impacts derived from implementing multiple sustainability actions; continuous sensitivity analyses regarding price fairness and price points at which customers would buy sustainability products and/or products made in a sustainable manner (which are likely to continue to trend downwards); and hypothesized relationships that involve more traditional and previously researched linkages between sustainability initiatives and the bottom-line performance of firms in various industries and settings. More broadly, the connections between our theory's tenets and classical marketing constructs such as customer expectations, product and service quality, perceived value, customer satisfaction, complaint behavior and handling, and customer loyalty should be fruitful areas for future research (Fornell et al., 2020), as should connections to bottom-line performance (marketing, financial, and accounting-based performance metrics) of the firm (Katsikeas et al., 2016).

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LUMINOUS
INSIGHTS



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