
SUSTAINABILITY REPORTING OF GROCERY RETAILERS ON AN EMERGING MARKET

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Abstract

When implementing sustainable business strategies at corporate and at market level, more and more companies inform their stakeholders about the measures, tactics and actions they take to achieve this goal. Specific standards, such as sustainability reporting, are nowadays available to companies interested in paying attention to the economic, social and environmental dimensions when approaching customers and managing their offerings.

Drawing on the stakeholder theory, legitimacy theory and institutional theory, the authors demonstrate that sustainability reporting becomes increasingly important in emerging market retailing as well since global players operating in emerging markets and the local retail chains are increasingly concerned with implementing this strategy. Sustainability reporting is all about communicating sustainable development actions to the interested stakeholders and is about to become a business practice whereby customers are drawn, satisfied, turned into loyal patrons, and made to choose and return to the preferred retailer that takes care of them and their peers. The results reveal that, in food retailing, domestic retailers only incidentally implement sustainability actions whereas international retailers strive to adopt sustainability reporting in order to attract more target customers.

Keywords

Sustainability reporting, Global Reporting Initiative, Grocery Retail, Emerging market, Stakeholder theory, Institutional theory

JEL Classification

M30; M31; Q01; Q56;

Introduction

The civil society development and people's access to digital technology, social media and mass communication enables them to be better informed about day-to-day livelihood issues. Pollution, care for the environment or global warming are among individuals' daily concerns (Dabija & Bejan, 2017), leading them more and more frequently to choose the brands, products and/or services of organizations that consider these challenges when developing and implementing their business strategies (Pryshlakivsky & Searcy, 2015). The business strategies of organizations no longer focus only on increasing market share, growing their customer base and/or boosting their profits, but also on adopting a holistic marketing approach and environmental governance (Jose & Lee, 2007; Kolk, 2008).

In a growing number of industries, companies strive to communicate at corporate level the actual ways of integrating the economic, social and environmental components of sustainability into their general business strategies (Tanimoto & Suzuki, 2005; Fonseca et al., 2014; Higgins et al., 2014). Whether by their own standards or by the standards of sustainability reporting associations (the Global Reporting Initiative, the World Resource Institute, the Carbon Disclosure Project, the Climate Disclosure Standards Board and the United Nations Global Compact (UNEP, 2013, p.21)), companies increasingly strive to show they are genuinely concerned with, and adopt a proactive behaviour towards these issues (Gönen & Solak, 2016). Although retailers conduct many social responsibility campaigns whose focus is on organic and/or environmentally friendly products and brands, few of them actually opt in favour of sustainability reporting. Baker et al. (2012) show that only 43 retailers make this type of reporting as the current number of retailers worldwide meeting Global Initiative Reporting (GRI) standards is not very large (GRI, 2018a).

Given the small number of retailers making sustainability reporting by the standards of some international organizations, such as GRI standards, the authors set to analyse sustainability reporting in grocery retail on an emerging market. Romania is an interesting emerging market because it has experienced one of the greatest economic growths in the EU over the last years (Obucina, 2017). The Romanian retail market is still booming in spite of being targeted by both international and domestic retailers (Dabija and Abrudan, 2015). Drawing on stakeholder and institutional theories, the authors analyse the extent to which reporting by GRI standards may contribute to enhancing Romanian grocery retailers' visibility and reputation.

The paper is divided into four sections. Following the literature review on sustainability reporting and its standards against which social, economic and environmental measures are reported, the authors describe the research methodology and use the data on the web pages of Romanian grocery retailers to analyse the extent to which these retailers apply the sustainability reporting principles. The paper ends with conclusions, and theoretical and managerial implications.

1. Literature review

1.1. Theoretical framework

According to the **stakeholder theory**, a company's group of stakeholders includes four categories of players: "customer, employees, environment and investors" (Fernandez-Feijoo et al., 2013). Sustainability reporting enables the organization to improve its relationship with these players. The company's principles of sustainability are put into practice by means of social responsibility campaigns (Schmid, Olaru & Verjel, 2017). The stakeholder theory principles go hand in hand with legitimacy theory which is based on the premise that an organization and its actions have to acquire legitimacy among stakeholders and be accepted by the community. A company's social responsibility, environment protection and community engagement campaigns only yield results when they are accepted and known to produce good effects (Gherardi et al., 2014).

The changes in company development and evolution are usually the object of the institutional theory which states that companies operate in different markets through "certain governance structures" (Scott, 1995, p. 136). Other advocates claim that this theory analyses the existing interactions between a company and the environment because companies lose their *raison d'être* without communities where they can run their businesses. Therefore, they have to make arrangements to reward the stakeholders that help them gain success (Martinez, 1999). This is where sustainability reporting is also relevant because it enables stakeholders to get proper information about the companies' actions.

1.2. Sustainability reporting

The rapid rise in the consumption of resources and materials triggered by the exponential increase of people's needs and desires forces companies to adapt themselves to these realities by choosing technologies that enable them to maximize results by minimizing inputs within entrepreneurial processes. In this context, integrating sustainability principles as well as effective market targeting measures and tactics into all strategies of an organization is an absolute requirement without which competitive advantage is no longer attainable. Retailers, in turn, strive to minimize the impact of their own activities on nature, all the more so as the damage caused to the environment may generate economic shocks with irreversible effects.

Backer & Clark (2008) and Willard (2002) believe that the implementation of sustainability principles into business strategies should be regarded as a win-win situation, bringing benefits for both the company and the environment. The organization actually bolsters its reputation among stakeholders and will be able to attract more environmentally concerned and/or oriented clients who appreciate the company management's efforts to adopt sustainable behaviour.

The application of the sustainability principles to their own activities is not the only thing that matters but also the communication of this information to stakeholders (Aktaş et al., 2013). Therefore, companies have made available in the last years not only annual activity reports containing financial data but also information on the sustainability measures adopted. Thus, they want to make stakeholders aware of the environment protection benefits, their social responsibility campaigns, the source of the raw materials etc. (James, 2015). In fact, much of the information published in these reports is about environment protection (84.8%) and involvement in social campaigns (70.2%) (Ballou et al., 2012). Drawing on the guidelines for corporate sustainability reporting, such as, for instance, Global Reporting Initiative (GRI 2018a; 2018b), companies inform stakeholders about their actions and the intentions to implement sustainability principles into their strategies (James, 2015).

The reporting of sustainability actions may be achieved through the company's own methods or by the use of precise standards developed as good practice reporting guidelines. The most frequently used sustainability reporting guidelines are the Global Reporting Initiative, the World Resource Institute, the Carbon Disclosure Project, the Climate Disclosure Standards Board and the United Nations Global Compact (UNEP, 2013, p.21).

Of these, the most frequently used guidelines are Global Reporting Initiative (GRI), first developed in 1997 and improved over time to be in line with the evolution of the market, the relevant indicators and the sustainability reporting requirements (Jones et al., 2016). Worldwide "63% of the S&P 500 companies" issue their sustainability reports based on the GRI guidelines, regardless of the industry, area or market where they operate (EY, 2013). Moreover, 92% of the largest 250 companies use the GRI guidelines for sustainability reporting (Gönen & Solak, 2016).

2. Methodology

In order to determine the extent to which food retailers in an emerging market, Romania, experiencing considerable economic growth in the last years by comparison with the average in the region, implement sustainability reporting (Obucina, 2017), a study was made concerning the sustainability measures, actions and tactics that retailers communicate on their web pages, via brochures and other informative materials. The information was only collected from food retail because it is very well known by consumers and communicates quite frequently its sustainability measures with a view to attracting consumers.

The authors have designed an observation sheet based on the sustainability reporting chapters developed by Global Reporting Initiative (GRI) (GRI, 2018a; GRI, 2018b). Thus, information was sought concerning the three great chapters of indicators: economic (6), environment (8) and social (19), each having its corresponding subchapters. The authors sought information for all 33 subchapters that are relevant for GRI reporting, no matter how companies publish this information: according to their own standards and/or methodologies or according to well-established reporting guidelines. The collection of information took place during the first two months of 2018.

The information was collected from both domestic and international food retailers. The breakdown of retailers was made according to the retail groups to which they belong and in line with the literature guidelines (Dabija and Abrudan, 2015). Overall, 8 international and 7 Romanian retail groups were examined. These groups operate under several retail brands and have stores of different sizes: proximity stores, supermarkets, hypermarkets or cash & carry stores (Vasiliu et al., 2016). Table 1 presents an overview of the examined stores, their country of origin (international retail chains) and the county of residence (Romanian retail chains).

Table no. 1. Observed retail stores depending on the retail chain in 2018

International chains			Romanian chains		
Group	Retail format	Retail brand	Group	Retail format	Retail brand
Ahold Delhaize (H)	Supermarket	Mega Image	Unicarm (Satu Mare)	Supermarket	Unicarm
	Proximitate	Shop&Go	Oncos (Cluj)	Supermarket	Oncos
	Proximity	AB Cool Foods	Elan-Trio (Harghita)	Supermarket	Merkur
	Supermarket	Concept Store Mega Image		Cash & carry	Merkur C&C
	E-store	Home Delivery	Annabella (Vâlcea)	Supermarket	Annabella
Metro Group (G)	Cash & Carry (CC)	Metro CC		Proximity	Annabella
	CC small	Metro Punct			Annabella A-Z
	E-store	Metro Direct		Concept store	Annabella Fresh
	Proximity	La-Doi-Pași	Proximity	Annabella Expres	
Rewe Group (G)	Discounter	XXL Mega Discount	Zanfîr (Focșani)	Supermarket	Zanfîr
		Penny	Luca (Brașov)	Supermarket	Luca
MID Europa Partners (UK)	Supermarket	Profi			Proximity
	Proximity	Profi City	Angst (Ilfov)	Supermarket	Angst

	Supermarket	Profi Mall	Obs: Countries: B – Belgium; F – France; G – Germany; H – Holland; UK – United Kingdom. Încadrarea retail brands on retail formats a fost realizată în conformitate cu literatura de specialitate (Dabija, 2010; Dabija and Abrudan, 2015). Sources: Dabija and Abrudan, 2015; retailers own webpages.
Carrefour (F)	Hypermarket	Carrefour	
	Supermarket	Carrefour Market	
	Proximity	Carrefour Express	
	E-store	Carrefour Online	
Trans Gourmet (G)	Cash & Carry	Selgros	
Delhaize (B)	Hypermarket	Cora	
	Drive in	Cora Drive	
	E-store	Cora Online	
Lidl/Schwarz (G)	Hypermarket	Kaufland	
	Discounter	Lidl	
Auchan (F)	Hypermarket	Auchan	

Sources: Dabija and Abrudan, 2015; retailers own webpages.

3. Results and discussions

The browsing of the webpages of the retail chains concerned reveals that sustainability reports, if they exist, are published at group level and not at retail format or retail brand level. These reports contain descriptions of the actions implemented at market, store and/or retail format level. Interestingly, none of the analysed Romanian retailers report any of the 33 GRI indicators. However, the retail chains Luca (2018) in Braşov and Annabella (2018) in Vâlcea provide on their webpages some information about their social and environmental actions, notably with respect to waste and packaging recycling.

The international retail chains operating in Romania report both group-level and Romanian market-level sustainability actions but none of them implement all the 33 chapters of GRI sustainability reporting standards. Metro Group (2018) or Rewe (2018) present on their webpages some of the chapters included in the GRI reporting but not all chapters are covered in their reporting. Metro and Carrefour are the only retailers reporting sustainability activity according to Dow Jones Sustainability Indices (Metro Group, 2018; Carrefour, 2018), bespeaking their intention to include as many activities as possible in the communication of their sustainability efforts. Table 2 presents the situation of the sustainability reports made available to the public and the number of GRI reporting chapters covered by these reports.

Table no. 2. Sustainability reporting on international level for food retail formats

Grup	Sustainability web pages		Reported GRI chapters		
	international	Romania	Economic (6)	Environmental (8)	Social (19)
Ahold Delhaize	da	da	3	3	1
Metro Group	da	da	1	5	7
Rewe Group	da	da	1	4	3
MID Europa Partners	nu	da	-	-	-
Carrefour	da	da	-	3	3
Trans Gourmet	nu	da	-	-	-
Delhaize	da	da	3	3	1
Lidl/Schwarz	nu	da	-	-	-
Auchan	da	da	-	-	-

Source: webpages of retailers; Carrefour, 2018; Metro Group, 2018; Rewe, 2018.

The data presented in Table 2 reveals that, although they implement sustainability measures and report them to their target groups, most retailers provide detailed information in relation to at most 13 out of a total of 33 chapters of GRI standards. This does not necessarily mean that these organizations are not sustainability-oriented but it could also be the result of the changes that have been made since 2016 in the number of chapters according to which sustainability activities and measures are reported (GRI, 2018a; GRI, 2018b). It is likely that the reporting of these activities largely depends on the organization's openness and the need to communicate all corporate information to shareholders and stakeholders.

Conclusions

In the current economic context, sustainability has become an increasingly pressing issue as the identification of solutions for pollution reduction is a major challenge for companies, regardless of industry, size or profile. The integration of sustainability principles into the business strategies is absolutely necessary for targeting customer groups, especially the young people who are more sensitive to resource waste, pollution, sustainable consumption etc. (Dabija & Bejan, 2017). Therefore, adopting and communicating these measures is nowadays a must for retailers' activity as a means to increase market share and enhance the company's visibility, reputation, image and trust.

Informing consumers about the adopted sustainability strategies plays a highly important role in attracting and turning them loyal to the retail stores. Retailers' communication strategies have turned more and more towards the online environment to better approach and target the young consumers for whom entertainment and social media platforms are major sources of information (Jacobsen, 2017). Young people are more willing to help the disadvantaged (Last, 2014) and that is why they prefer the organizations that conduct social responsibility campaigns. In fact, 46% of young people allot large amounts of money to buy the products of companies that implement sustainable technologies, while 31% of them "boycott" those that fail to implement such strategies (Masdar, 2016).

The paper provides input to the stakeholder, legitimacy and institutional theories because sustainability reporting brings benefits to all stakeholders of a company, not only by being better informed but also by placing more trust in it. Bringing the sustainability strategies to their knowledge is not only an opportunity but also an absolute necessity because stakeholders are thus able to better identify themselves with the organizations they have relationships with, helping it develop and strengthen its market position.

The implementation of sustainability standards and their communication at group level represents a great potential of the Romanian and international retailers to attract more customers/target groups.

The future studies should consider the careful assessment of sustainability reporting in the other sectors of traditional (food, DIY, electronic and household appliances) or online retail, as well as the extent to which sustainability actions and strategies are conveyed to the public by formal notification or any other means. The adoption of specific reporting guidelines such as Dow Jones Sustainability Index World or GRI confirms retailers' concern with carefully reporting sustainable activities so as to attract particularly the consumers for whom sustainability is a benchmark for selecting brands, products or companies (Lan, 2014). At the same time, future research will have to consider more carefully other food retailers operating on the Romanian market and other emerging markets in order to highlight the differences in market targeting.

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