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# SUSTAINABLE DEVELOPMENT – A NEW TREND OF RETAIL CHAIN REPORTING IN THE REPUBLIC OF CROATIA

## ABSTRACT

**Purpose:** The aim of this paper is to collect and analyze data on sustainable development of nine leading retail chains in the Republic of Croatia (according to sales revenue in 2021). The focus of this research is on finding out the extent to which retail chains report on their sustainable business practices through publicly available websites, as well as precise segments of sustainable development.

**Methodology:** The research included retail chains whose predominant activity, according to the National Classification of Activities (NKD) 47.11, is the retail sale of various products, particularly food, beverages or tobacco, in non-specialized stores. The research was conducted from September 20 to November 20, 2022. The data were collected from the official websites of these retail chains, and the analysis primarily relied on descriptive statistics.

**Results:** The collected information indicates that most retail chains in the Republic of Croatia do not report on the direct impact of their business practices on sustainable development, nor do they outline their intention to directly influence consumer behavior regarding sustainable development through their business practices. Customer trends are changing, and those retail chains that prioritize sustainable development as a business strategy gain a competitive edge.

**Conclusion:** Unfortunately, in terms of sustainable development, retail chains in the Republic of Croatia did not take global trends seriously. Only a third of them make reports on sustainable development, and some have only recently become more actively engaged in such practices.

**Keywords:** Sustainable development, retail chains, business practices, climate change

## 1. Introduction

In most countries, retail chains are some of the main drivers of innovation and economy (Dabija et al., 2017, p. 297; Pantano, 2014, p. 344) because they receive information on the needs of both cus-

tomers and producers. Since the beginning of the pandemic caused by the SARS-CoV-2 virus (severe acute respiratory syndrome coronavirus 2), the trend among customers has shifted towards a healthy diet and care for the environment. Another concern for customers is related to the outcome

of the war in Ukraine, which broke out at the end of February 2022. The war caused certain disruptions in the supply of gas and electricity, and oil prices fluctuate every week. Since the pandemic, supply chains have not taken root compared to the pre-pandemic period. The lack of certain materials caused additional delays, postponements, etc. in the production chain.

Furthermore, customers are bombarded on a daily basis with a large amount of information related to climate change through social networks, news, and other sources of information. In addition, customers feel that significant changes are taking place in the environment, such as dry and hot periods, which consequently have an impact on fires, the drying up of rivers, and drinking water sources. The growing concern about the state of the Earth, coupled with the realization concerning its fragility, raises the question of how we can combat pollution by setting an example.

This is precisely the way in which retail chains that sell groceries can act to send an important message to customers about how and in which way their work affects the reduction of pollution, but also encourage sustainable business practices. Nowadays, customers are well informed and knowledgeable because they look for sources of information that will make it easier for them to decide which product to buy prior to making a purchase decision. One of the important things to which customers pay attention are declarations, the composition of a product, and the country of origin. Retail chains conduct sustainable business practices to a greater or lesser extent. On the one hand, some of the leaders in the Republic of Croatia have stopped selling plastic bags, so you can no longer buy them at the cash register, but on the other hand, they have left plastic bags in the fruit and vegetable department. Retailers must be aware that the source of information and purchasing decisions are not covered only by the availability of goods, an affordable and attractive price, or an item on sale, but also by being informed about how that particular trader or retail chain views the future, especially in terms of sustainable development and pollution. Retailers can significantly influence producers since by observing the habits of customers to whom they have first-hand access, they can impose their conditions on producers. In addition to influencing producers, the influence on the supply chain and the arrangement of one's own sales facilities also play an important role. In the supply

chain, they may demand shorter deadlines for the delivery of goods and alternative sources of transport, which emit less harmful gases into the atmosphere, and encourage local production. Furthermore, arranging one's own sales facilities, installing solar panels on roofs, using rainwater, and informing customers through various channels, such as social networks, reports, achievements, etc. – all of the above refers to economic and environmental factors. The social factor should primarily be seen through the attitude towards employees, as well as the surrounding community.

The knowledge gap is evident in the lack of consolidated data when it comes to activities undertaken by retail chains in terms of sustainable development that encompasses three key aspects, i.e., sustainability, economic efficiency, and society. At the moment, this data remains unknown.

The aim of this paper is to gather, analyze, and compare data on sustainable retail businesses in the Republic of Croatia, and evaluate their contribution to the society in which they operate.

The paper consists of five sections. The introductory part outlines the issues covered in the paper. The second section focuses on reviewing previous research on sustainability reporting, with an emphasis on reporting by retail chains and their impact on consumers. The third section covers the framework and research methodology, including a sample description and data collection methods. The fourth section outlines the research results, while the fifth section provides a discussion pertaining to the data gathered, as well as a comparison with large retail chains worldwide. The final section presents the conclusion, limitations of the research, and further study recommendations.

## **2. Literature review**

Ćuzović and Mladenović (2017, p. 144) point out that the development and application of the concept of sustainable development has a relatively long history. However, its intensive use was recorded at the turn of the century. There are various definitions of sustainability in the literature, often with different terminology and occasionally overlapping meanings (Wiese et al., 2012, p. 320). According to Brundtland (1987), sustainable development is the ability to meet the needs of the present without compromising the ability of future generations to meet their own needs. On the other hand, Diesen-

dorf (2000, p. 23) believes that sustainable development should encompass types of economic and social development that would protect and improve the natural environment and social equality. Jamieson (1998, p. 184) states that most people, when they think about the meaning of sustainability, believe that sustainability revolves around human survival and the prevention of ecological disasters. In his progressive thinking, Dernbach (2003, p. 247) points out that the biggest challenge for sustainable development in the coming decades will be to operationalize it, and to make an effective transition towards it in communities, places, and companies around the world. At the same time, he adds that the concept of sustainable development is intended to be jointly resolved, which would thereby solve the problems related to global environmental degradation and global poverty without jeopardizing the advantages of traditional development.

In the past, sustainable development was often associated with the concept known as the triple bottom line, i.e., profit, planet, and the people (Lim, 2022, p. 5) – or, according to its creator Elkington (1998, p. 18), the original version reads: economic, environmental, and social well-being. Norman and MacDonald (2004, p. 243) point out that behind the triple bottom line paradigm there is an idea that the success of companies lies not only in the economic, i.e., financial success, but also in social, ethical, and environmental success. Environmental sustainability emphasizes the need to protect and preserve natural resources, and these are the values supported by competitive and successful multinational companies (Berry et al., 1998, p. 38). Sparks (2018, p. 70) notes that retail chains are in close proximity to wider debates on environmental sustainability, and cites the example of disposal of plastic packaging, as well as concerns about a high level of food waste.

Sustainable development is increasingly coming to light; on a global scale, it represents a component that is increasingly being emphasized, and retailers (retail chains) can play a big role in this regard as they represent a link between producers and customers (Jones et al., 2011, p. 256). They are key conduits for information with great power to increase awareness and influence purchasing choices by placing products in their sales areas that will promote sustainable development (European Commission, 2009a, p. 13). Sorescu et al. (2011, p. 5) describe retailers as orchestrators of two-sided platforms, which serve as an ecosystem where value is

created and delivered to customers. Maintaining a competitive advantage requires constant improvements in the quality of the service and innovative business models linked to elements of sustainability (Bilinska et al., 2018). Retailers should place greater emphasis on the concern for sustainable development through their own strategic models, and this kind of process is necessary (Arnold, 2015). García et al. (2022, p. 227) point out that retailers should not only implement activities aimed at improving sustainability, but also allow and encourage their customers to intervene and participate in the development of such actions. Tascioglu et al. (2019, p. 443) carried out a study and found that there is a positive consumer reaction, through an increase in purchases, commitment, satisfaction, and loyalty, towards retailers that support environmental and social sustainability, with an emphasis on lower price policies. In line with this, Devinney et al. (2010, p. 2) believe that customers are more radical and more economically conservative in surveys and research compared to when they make payments at the cash register.

Sustainability reporting has become a matter of topical interest in recent years because it is no longer enough to make claims about the level of sustainability of companies, but it is also necessary to demonstrate their efforts in terms of sustainability (Zrnić et al., 2020, p. 271). Carp et al. (2019, p. 17) state that sustainability reporting is an instrument by which companies complete a standard set of financial data with data on organizational involvement in environmental protection and society as a whole. Thaslim and Aksa (2016, p. 24) point out that sustainability reporting has now become a part of branding, and it is believed that it will improve the company's reputation among stakeholders. Ruiz-Real et al. (2018, p. 1) add that sustainable development is a key element for retailers since it can become an important source of competitive advantage. Online reporting describes a new approach to digital reporting that is based on support through modern information and communication technology (ICT), specifically the Internet (Isenmann et al., 2007, p. 487). Since the Internet is now the main instrument through which organizations can build relationships with stakeholders, sustainability reporting is carried out through an online communication channel, especially corporate websites (Nazahah & Noorain, 2017, p. 232).

The Internet has become the place from which we get the most information, and Google was used as the main source of information for this research. The official websites of the top nine retail chains in the Republic of Croatia were browsed through. The research was based on gathering information, i.e., on determining two key questions: 1) whether retail chains report on sustainable development on their official websites, and 2) to which extent they integrate sustainable development management within their business practices. Similar studies have been conducted by Jones et al. (2011) in October 2009 on eight of the world's leading retail chains (Walmart, Costco, Carrefour, Tesco, etc.), and by Saber and Weber (2019) in Germany, in which they focused on a comparison of reporting on sustainable development of German supermarkets and discount stores.

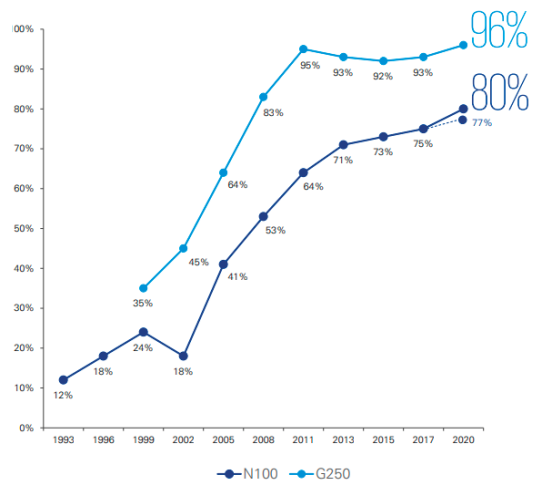
Saber and Weber (2019, p. 1198) pointed out two important limitations of their research. The first limitation was that they objectively examined the market but did not interview managers employed in specific supermarkets or discount stores. The second limitation was that the research was conducted by a single person, making it impossible to verify intercoder reliability (ICR). Since the research was conducted in Germany, they suggested that it should also be conducted in other countries to determine differences between retail formats (supermarkets - discounters).

Carp et al. (2019, p. 17) stated that the main limitation of their research was the focus and analysis of companies listed on the Bucharest Stock Exchange, as well as the sole use of qualitative variables in measuring sustainability reporting. In line with this, a suggestion for further research was to expand the study to other developing European countries.

According to the KPMG study published in 2020, a trend of increasing reporting on sustainable development at the global level was observed year after year. The company conducted the study for 11 years in a row. Figure 1 shows two lines; the first, dark blue, line indicates the N100 group, and the second, light blue, line indicates the observed G250 group. The N100 refers to a global sample of 5,200 companies, specifically the top 100 companies by revenue

in each of the 52 countries involved in this study. The G250 refers to the 250 largest companies in the world by revenue, as defined in the 2019 Fortune 500 list. At the same time, large global companies are usually leaders in sustainable development reporting and their activities often predict trends that are subsequently adopted (Threlfall et al., 2020, p. 4). The abscissa shows the years in which the research was conducted, and the ordinate shows the percentages. Threlfall et al. (2020) have noted some valuable insights, particularly regarding the recognition of the importance of sustainable development reporting by large companies; namely at the inception of the research in 1993, only 12% of them prepared reports, compared to a significant 80% in 2020.

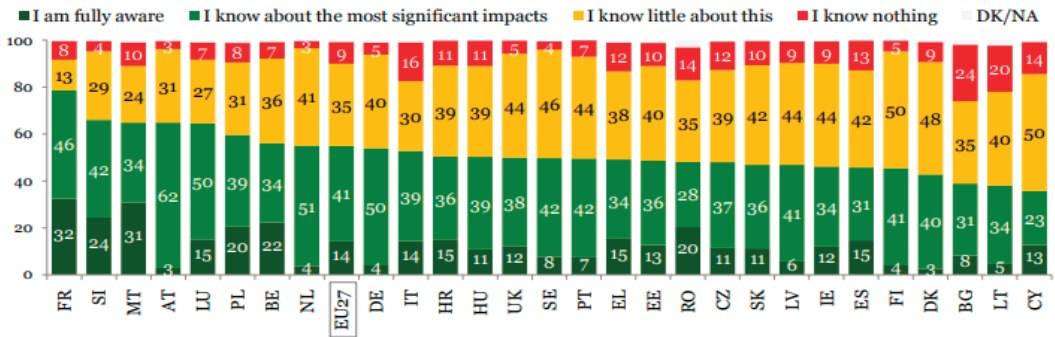
**Figure 1** Global sustainable development reporting since 1993: the N100 and the G250 (KPMG)



Source: Threlfall et al., 2020, p. 10

The European Commission (2009b) conducted a study in 27 member states, including the Republic of Croatia, by telephone and face-to-face, in which a total of 26,500 citizens participated. When asked about their awareness of the impact of purchased products on the environment, only 15% of respondents declared that they are fully aware of the impact of purchased products on the environment (European Commission, 2009b, p. 11).

**Figure 2 Importance of the impact of a product on the environment**

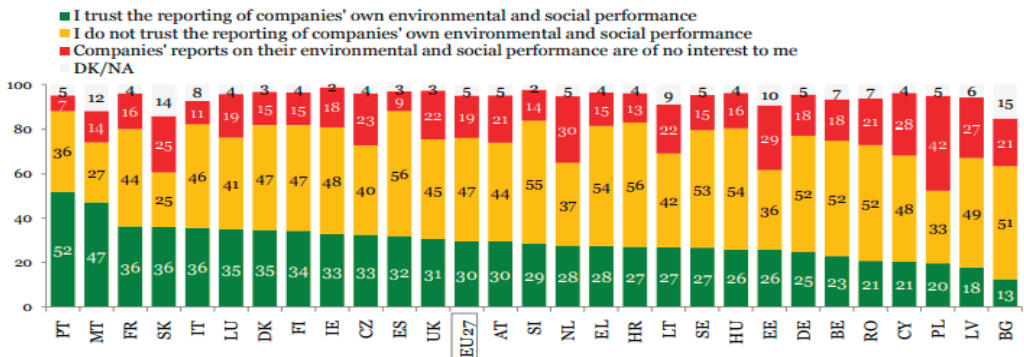


Source: European Commission, 2009b, p. 11

When asked whether customers trust the environmental and social performance reports of companies, 27% of respondents said that they trust com-

panies and their reports regarding environmental and social performance. It should be emphasized that this particular research was conducted in 2009.

**Figure 3 Confidence in the environmental and social performance reports of companies**



Source: European Commission, 2009b, p. 32

The awareness of customers 13 years ago was significantly different; one could say that they were not so focused on sustainable development, ecology, and climate change. The recession, which had a great impact on the future of Europeans and consequently Croats, probably prompted a shift in thinking. The recession spread rapidly from the United States of America to the rest of the world, with the consequences largely felt in 2009. However, the Republic of Croatia, included in the research at the time, was far below the European average (European Commission, 2009b, p. 32).

In this regard, the following section will process information collected from the websites of the nine largest retail chains in the Republic of Croatia, and analyze and summarize in a table the manner in

which large retail chains inform customers about their involvement in sustainable development.

### 3. Reference framework and research methodology

Retail chains conducting business in the Republic of Croatia are included in the research. They are ranked according to the revenue generated from sales in 2021. The information given in the table (Table 1), which refers to sales revenue, EBIT margin, current liquidity ratio, debt ratio, and the number of employees, was taken from the info.BIZ.fina.hr website. The Financial Agency (FINA) is a leading Croatian company in the field of providing financial and electronic services. Although state-owned, FINA operates solely on the market princi-

ple<sup>1</sup>. The Financial Agency has the info.BIZ service in its portfolio of products and services. It is a service that enables insight into data on the operation and financial position of all business entities, as well as the business environment in which they operate. The info.BIZ service displays basic data, addresses, financial data, ratings, and business indicators of entrepreneurs, financial institutions, non-profit organizations, and budgetary entities for the last five years<sup>2</sup>. The retail chains included in this research are valued and recognized by customers in the Republic of Croatia, but also by foreign citizens who come to the Republic of Croatia as tourists, mainly in the summer months. They have different types of sales facilities, ranging from small city markets to supermarkets and hypermarkets on the outskirts of larger cities. Konzum Plus is at the very top, both in

terms of sales revenue and the number of employees, with over 600 sales facilities, and Studenac is at the very top in terms of the number of facilities with over 1,000 facilities, which are smaller in size, consist mostly of city markets and have limited offers of goods and services. Of the nine listed retail chains, only PeveX, a retail chain selling construction materials, home furnishing products, tools, and electrical appliances, has a smaller section of food items (mostly sweets and snacks), as well as household cleaning products. Another retail chain is dm - drogerie markt Hrvatska, which primarily offers cosmetics, body care products, household cleaning items, and foodstuffs in eco-friendly packaging. The remaining seven retail chains focus solely on consumer goods, food items, and non-food products.

**Table 1 Top nine retail chains in the Republic of Croatia**

Data for 2021	Sales revenue (in HRK billion)	EBIT (%)	Current liquidity ratio	Debt ratio	Number of employees
Konzum plus	10.71	2.70%	0.37	1.02	9.881
Lidl HR	6.61	7.35%	0.67	0.51	2.846
Spar HR	5.37	0.81%	0.62	0.74	3.558
Plodine	5.18	6.58%	0.63	0.65	3.656
Kaufland HR	4.28	1.88%	0.95	0.33	2.072
Tommy	3.6	4.79%	0.8	0.9	3.158
PeveX	2.52	14.28%	3.16	0.34	2.031
Studenac	2.35	1.40%	0.64	0.73	2.878
dm - HR	1.99	4.57%	1.31	0.74	1.057

Source: FINA, 2022c, processed by the authors

Jones et al. (2011) conducted a study on the eight largest retail chains in the world, while Saber and Weber (2019) focused on Germany, i.e., they compared and analyzed sustainability reporting between leading discount stores and supermarkets.

Unlike Jones et al. (2011), who divided reporting into environment, society, and economic indicators, Saber and Weber (2019) divided reports into products, environment, employees, and society. In terms of comparison, they conclude that there is a greater significant difference in sustainable development reporting between supermarkets and discount stores (2019, p. 1198). At the same time, the

study provides insight into how supermarkets and discount stores, namely seven of them, all report on sustainable development (2019, p. 1192). The amount of data on which a certain retail chain provides reports is shown at the bottom of the table. Rewe ranks first with 26 items it reports on sustainable development, while Netto and Norma report on the smallest number of items, 11 each. Sustainability reporting of retail chains in Germany began in 2009 (Saber & Weber, 2019, p. 1190), while according to research, the reporting of retail chains in the Republic of Croatia is still in its infancy since it started in 2017.

1 <https://www.fina.hr/tko-smo>

2 <https://www.fina.hr/-/servis-info-biz>

**Figure 4 Availability of data in sustainability reports**

Availability of data	Edeka	Rewe <sup>b</sup>	Aldi Süd	Aldi Nord	Netto	Penny <sup>b</sup>	Norma	Sum across all retailers
<b>Product <math>\Sigma</math></b>	4	8	4	9	2	7	6	40
1. Organic items	X	X		X	X	X	X	6
2. Regional items	X	X				X	X	4
3. Fair-trade items	X	X		X				3
4. MSC, ATC items (sustainable fish)		X	X	X	X	X		5
5. FSC/PEFC certification		X	X	X		X		4
6. KAT certified eggs		X	X	X		X	X	4
7. Certified palm oil		X	X	X		X		4
8. Otherwise certified products (UTZ, animal welfare, Pro Planet, WWF, etc.)	X	X	X	X		X		5
9. Vegan/vegetarian items				X			X	2
10. Lactose/gluten free items							X	1
11. Genetically unmodified items				X			X	2
<b>Environment <math>\Sigma</math></b>	7	12	6	5	5	11	3	49
1. Carbon footprint		X	X			X		3
2. Total CO <sub>2</sub> emissions		X	X	X	X	X		5
3. Direct energy consumption	X <sup>a</sup>	X		X	X	X		5
4. Indirect energy consumption	X <sup>a</sup>	X		X	X	X		5
5. Green building	X	X				X		3
6. Electricity	X	X				X		3
7. Heating	X							1
8. Cooling systems		X	X			X		3
9. Lighting			X		X			2
10. Energy production, photovoltaic		X	X	X		X		4
11. Recycling		X	X			X	X	4
12. Total amount of waste	X	X		X			X	4
13. Logistics (utilization trucks, distance to store, CO <sub>2</sub> emission, emission class)	X	X			X	X	X	5
14. Banishment of plastic bags		X				X		2
<b>Employees <math>\Sigma</math></b>	4	5	6	4	3	5	2	29
1. Non-determinate work contracts	X	X	X	X		X		5
2. Employment organization	X	X	X	X	X	X	X	7
3. Women in leadership	X	X	X	X		X		5
4. Percentage apprenticeships	X	X	X	X	X	X	X	7
5. Take-over quota apprenticeships			X					1
6. Employee satisfaction			X					1
7. Employee turnover rate		X			X	X		3
<b>Society <math>\Sigma</math></b>	1	1	3	1	1	1	0	8
1. Social assessments (BSCI)	X	X	X	X		X		5
2. Money donations			X		X			2
3. Use of food waste			X					1
<b>Total sum per retailer <math>\Sigma</math></b>	16	26	19	19	11	24	11	126

Source: *Saber and Weber, 2019, p. 1192*

Data from Jones et al.'s study (2011) on the eight world's largest retail chains are presented later in the text. Unlike Saber and Weber, Jones et al. (2011) divided the report into environmental, social, and economic categories. According to the summarized research results given in Table 2, it is evident that most of the ten leading global retailers recognize and report on a wide range of impacts their business practices have on the environment, society, and economy (2011, p. 264). Carrefour, Target, and Tesco cover all areas within the environmental, so-

cial, and economic categories, while others have certain categories they do not cover, such as Kroger and Metro. According to the report, the aforementioned two chains did not mention a single component in their reports that would relate to the economic role in sustainable development through job creation, value for customers, and relationships with suppliers.

**Table 2 The sustainability issue – retailer summaries**

Sustainable development	Walmart	Carrefour	Tesco	Metro	Home Depot	Kroger	Target	Costco
<b>Environmental</b>								
Climate change and carbon emissions	✓	✓	✓	✓	✗	✓	✓	✓
Energy consumption	✓	✓	✓	✓	✗	✓	✓	✓
Water management	✓	✓	✓	✗	✗	✗	✓	✓
Waste management	✓	✓	✓	✓	✓	✓	✓	✗
Logistics	✓	✓	✓	✓	✓	✗	✓	✗
Conserving natural resources	✓	✓	✓	✗	✗	✓	✓	✗
Environmentally friendly products	✓	✓	✓	✓	✓	✓	✓	✓
<b>Social</b>								
Responsible sourcing	✓	✓	✓	✗	✗	✓	✓	✗
Food safety	✗	✓	✓	✗	✗	✓	✓	✗
Working conditions at suppliers	✓	✓	✓	✓	✗	✓	✓	✓
Health and safety	✓	✓	✓	✗	✓	✓	✓	✓
Local community links	✓	✓	✓	✗	✓	✓	✓	✓
<b>Economic</b>								
Employment creation	✓	✓	✓	✗	✗	✗	✓	✓
Value for customers	✓	✓	✓	✗	✗	✗	✓	✗
Supplier relationships	✓	✓	✓	✗	✓	✗	✓	✗

Source: Jones et al., 2011, p. 261

**4. Research results**

The research conducted in the Republic of Croatia was based on two similar studies that were conducted by Jones et al. (2011) and Saber and Weber (2019). In order to structure the data from the official websites into one table, the very method of grouping according to the environmental, social, and economic categories was taken from the research of Jones et al. (2011, p. 261).

The first part of the table shows the environment and related areas, specifically water management, waste management, energy consumption, conservation of natural resources, climate change, and carbon emissions. The second part refers to society, food safety, responsible food choices, working conditions at suppliers’ premises, health and safety, and connection with the local community. The third part refers to economic indicators, job creation, value for customers, and relationships with suppliers.

**Table 3 Sustainable development – comparison of leading retailers**

Sustainable development	Konzum	Lidl	Spar	Plodine	Kaufland	Tommy	Pevex	Studenac	DM-Hrvatska
<b>Environmental</b>									
Climate change and carbon emissions	✗	✓	✗	✗	✓	✗	✗	✗	✗
Energy consumption	✓	✓	✗	✗	✓	✗	✗	✗	✗
Water management	✓	✓	✗	✗	✓	✗	✗	✗	✗
Waste management	✓	✓	✗	✗	✓	✗	✗	✗	✗
Logistics	✗	✗	✗	✗	✓	✗	✗	✗	✗
Conserving natural resources	✗	✓	✗	✗	✓	✗	✗	✓	✗
Environmentally friendly products	✗	✓	✗	✗	✓	✗	✗	✗	✗
<b>Social</b>									
Responsible sourcing	✓	✓	✓	✗	✓	✗	✗	✗	✗
Food safety	✓	✓	✓	✗	✓	✗	✗	✗	✗
Working conditions at suppliers	✗	✗	✗	✗	✓	✗	✗	✗	✗
Health and safety	✓	✓	✓	✗	✓	✗	✗	✓	✓
Local community links	✓	✓	✓	✗	✓	✓	✗	✓	✓
<b>Economic</b>									
Employment creation	✓	✓	✓	✓	✓	✓	✓	✓	✓
Value for customers	✓	✓	✓	✓	✓	✓	✓	✓	✓
Supplier relationships	✓	✓	✓	✗	✓	✗	✗	✗	✗

Source: Processed by the authors according to Jones et al.’s table, 2011, p. 261



When searching the official websites of retail chains, it was observed that Konzum Plus, Lidl, and Kaufland have separate sustainable development reports. Konzum Plus published its annual report for 2021 consisting of 153 pages, while Lidl publishes its reports for a two-year period. The first and the second report were published for 2017/2018 (75 pages) and for 2019/2020 (102 pages), respectively. Kaufland published its first annual report in 2020 (107 pages), which referred to a two-year period, i.e., 2018 (from March 1, 2018 to February 28, 2019) and 2019 (from March 1, 2019 to February 29, 2020), which also includes a section on sustainable development.

Other retail chains among the top nine in terms of sales revenue in the Republic of Croatia do not publish annual reports on sustainable development. Unlike Konzum or Lidl, for instance, dm - drogerie markt does not keep records of sustainable business practices on its official website. However, it does refer customers to the ways to enhance awareness of sustainable development, so that alongside the advice provided on dm's official website, customers are encouraged to implement these practices.

Konzum Plus divided its annual report into financial and non-financial indicators. On p. 57 of the report, it describes the company's involvement in the educational loyalty program, which was launched in 2021. The main goal is to draw customer attention to nature conservation with an emphasis on protected animal species. Konzum Plus collected and donated HRK 207,000 to the Blue World Institute, and these funds are intended for research, education, and activities aimed at protecting dolphins in the Adriatic. The company is also society-oriented through holiday humanitarian campaigns, along with being the largest food donor in Croatia. In terms of environmental protection, the company implemented and certified an environmental management system in all of its facilities according to the ISO 14001 standard in 2010 (Konzum, 2021). The report highlights great emphasis they place on employees through education, training, work-life balance, managing career development, and employee rewards.

Furthermore, the report details electricity and water consumption, incorporating data from 2019, 2020, and 2021. Savings in terms of electricity and water consumption are evident from the observed years. Additionally, the report outlines the quantities of waste produced in tons for the period from

2020 to 2021, categorized into cardboard and plastic packaging, edible waste oil, etc.

The report did not include any goals for a certain period, to which extent and in which direction the company will attempt to reduce the amount of waste, the carbon footprint, and electricity, water, and gas consumption. The supply of sales facilities and logistics from renewable energy sources were not specified in the report.

Kaufland Hrvatska's sustainability report underscores its societal and community roles through its affiliations with national and international networks. These include membership in the corporate social responsibility community, attainment of the *Tvrtka prijatelj zdravlja* (Company – a Friend of Health) certificate in 2019, adoption of the Volunteer Charter in 2019, and participation in the UN Global Compact initiative. The company places a strong emphasis on the health of people and the planet by prioritizing responsible sourcing and fair business practices. It also focuses on developing strategies aimed at reducing plastic and waste. Through the four goals set by the UN in 2015 for the period until 2030, Kaufland Hrvatska contributes most significantly to the following categories: Goal 2 (Zero hunger), Goal 3 (Health and well-being), Goal 12 (Sustainable consumption and production), and Goal 13 (Climate action). Special emphasis is placed on Goal 12 (Sustainable consumption and production), which led to the establishment of a strategic direction in 2018.

As for Goal 12.3 (Food waste), the Schwarz Group (comprising Kaufland and Lidl) aims to reduce food waste by 50% by the end of 2030. This reduction will extend to selected raw materials within the supply chain. The above refers to its own production; food waste will be reduced by 50% by 2025 (in comparison with the base year 2017 and in relation to the quantity placed on the market) (Kaufland, 2018).

It fosters organizational values towards its employees, such as efficiency, dynamism, and fairness. As is the case with Konzum Plus, the emphasis is put on work-life balance, health and safety of employees, training, and education.

In addition to reporting on electricity consumption, the company publishes a comparison of consumption for two periods – 2018 and 2019. The report highlights the company's own production of electricity from photovoltaic panels. The annual production of self-generated electricity accounts for

17% of the company's subsidiary electricity needs. Greenhouse gas emissions are classified into three areas:

- Area 1: Direct emissions, which encompass emissions directly originating from facilities owned or controlled by Kaufland,
- Area 2: Indirect energy emissions, which account for emissions stemming from the production of energy purchased by Kaufland from suppliers,
- Area 3: Other indirect emissions, which includes other emissions such as logistics procurement, distribution of Kaufland magazines, and paper consumption.

According to the report, when comparing data from 2018 and 2019, greenhouse gas emissions were reduced by 12.8% (Kaufland, 2018).

Lidl Croatia stands out as the only retail chain among the top nine to report on its engagement in sustainable development for the second time in a row. The first report was published for 2017 and 2018, and the second one referred to 2019 and 2020. Anchored in their sustainability strategy and the motto "A Better Tomorrow", Lidl also conducts surveys to identify key areas of focus from the perspective of customers, employees, suppliers, the media, etc. The difference between the first and the second research lies not only in the number of respondents (252 in the first and 550 in the second report), but also in the areas on which the business strategy should be focused in terms of raw materials, supply chains, and customers. In addition to reporting on the waste disposal quantities, the company focuses on numerical targets for specific products. For instance, by the end of 2025, the company aims to increase the share of fish carrying certain labels (certificates), and by the end of 2025, a minimum of 15% of their paper range will incorporate recycled fibers. Like Kaufland, a member of the Schwartz Group, Lidl also reports on water consumption and waste disposal, and provides a comparative analysis over a two-year period (Lidl, 2019).

## **5. Discussion**

By reviewing the official websites of the leading nine retail chains (ranked by sales revenue) in the Republic of Croatia, it was observed that only a few of them make reports on their engagement in sus-

tainable development. This engagement pertains to three areas: economic, ecological, and social. In their annual reports, one national and two foreign retail chains highlight the segments in which they have made progress in economic, social, and environmental areas. The earliest available report dates back to 2017, indicating a noteworthy delay in the public release of these reports, despite their clear content. Why highlight this now? The answer probably lies in the fact that, in daily communication via reporting channels, public attention is drawn to the fact that each of us, by setting an example, can significantly contribute to preserving the Earth, i.e., to sustainable development. If we look at the official websites of the world's major retail chains, it becomes apparent that they have been publishing reports on their official websites for over a decade on sustainable development, greenhouse gas emissions, the impact of their business practices on the ecosystem, and their approach to maintaining the highest-quality supply chain in their business practices. Is this a trend they decided to incorporate into their business strategies? This very fact, according to the opening words of several retail chains, was highlighted by the presidents of the management boards.

Lidl underscores its strategic approach to sustainable development with its motto "A Better Tomorrow" (words of the CEO of Lidl Hrvatska), while Kaufland, with its motto "Deeds, Not Words", highlights its commitment to a comprehensive business model, with a strong emphasis on sustainable development. Retail chains such as Lidl and Kaufland (both members of the Schwartz Group) also regularly publish reports on sustainable development in their countries of origin and in the Republic of Croatia.

From the aforementioned, it is evident that retail chains in the Republic of Croatia do not follow the global reporting trend – currently, the numbers are relatively modest. However, as stated earlier, it is often the leaders who set new goals. Therefore, the retail chains (Konzum, Lidl, Kaufland) in the Republic of Croatia can be viewed as reporting leaders at the micro-level (within the retail sector in the Republic of Croatia), and their activities set further goals, especially for those who have yet to embrace such practices.

In their reports, it is imperative that retail chains focus on highlighting concrete results rather than merely outlining goals. Jones et al. (2011, p. 268)

suggest that definitions and obligations regarding sustainable development reporting may be driven by business imperatives, placing more emphasis on revenue and margin rather than sustainable efficiency.

Bilinska et al. (2018, p. 11) advocate for increased customer involvement in sustainable development such that retail chains emphasize their responsibility and impact on the environment. In this age of rapid technological and informational progress, communication has become one of the essential components. Retail chains should actively encourage customers to behave responsibly and guide them towards products aligned with sustainable development principles. A monthly report, presented in the form of an information desk (such as a tablet in the sales area), could serve as a valuable tool. This would provide customers with insights into information on the involvement of the retail chain in sustainable practices and the results achieved so far.

The procurement department is one of the key parts of the retail chain when it comes to negotiations with suppliers, i.e., brand producers.

In terms of the brands they sell, retail chains should inform consumers more transparently about the reduction of greenhouse gas emissions, or disclose the product's impact on sustainable development directly on the packaging. Furthermore, they should also take into consideration product packaging that is in line with sustainability practices and introduce new product lines that benefit both the environment and society. During store renovations, it is recommended to recycle old materials and use them in new stores. Installing solar panels on store rooftops and setting up electric vehicle charging stations in parking lots in front of the stores, alongside more transparent reporting on past and planned initiatives, are also crucial steps. Additionally, in larger stores, the installation of monitors displaying daily updates on energy savings, water savings through rainwater collectors on store rooftops, food donations, etc. can contribute to ongoing sustainability efforts to keep consumers informed. It is also suggested to initiate projects engaging customers directly in sustainable development efforts. One such example is to offer products that allow consumers to directly donate money (with a retail chain also contributing a portion) towards reducing harmful gas emissions. The products included in the project could involve local agricultural farms, livestock farms, food processing and manufactur-

ing facilities, etc. Finally, retail chains are to provide daily reports on the reduction of harmful gas emissions into the atmosphere, the funds collected, and the future goals set in this context.

Sustainability certifications stand out another consideration for retail chains. By obtaining these certifications, retail chains commit to both maintaining a specified standard in their operations and reporting on it, while being dedicated and consistent in the process. This sends a message not only to consumers but also to competitors in the market.

Naturally, retail chains generate revenue from the sale of goods and services and, unfortunately, the competitive pressure is relentless. The question arises: Can retail chains maintain a competitive advantage and high standards at the same time? Thaslim and Aksa (2016, p. 39) conclude that sustainability reporting can certainly be one of the main drivers for increasing company performance and efficiency in financial and non-financial terms.

## **6. Conclusion and recommendation for further research**

Unfortunately, in terms of sustainable development, retail chains in the Republic of Croatia have not fully embraced global trends. Only a third of them have published reports on sustainable development, with some beginning to engage in such practices only recently. It can be stated that these practices are still in their infancy, and it is crucial for others to join in as soon as possible. Surely, this should not be done with the aim of generating even more revenue or quality advertising, because that will derail the meaning and direction. Rather it is essential for everyone to be aware of sustainable development. It is the retailers on a global level who are one of the main drivers of economies and innovations in sales, which is why they are aware of the fact that their contribution is monitored and expected on both a macro- and micro-level. The changes are evident and they have intensified after the pandemic. Customers are increasingly turning to organic products and local producers, and more actively participating in waste separation practices. Being informed prior to making a purchase is essential for making a purchase decision. It is only a matter of time before customers start to overwhelmingly favor those actively involved in sustainable development.

Retail chains should more frequently report on the quantities and periods during which they contributed to the reduction of greenhouse gas emissions into the atmosphere, which activities they carried out, and whether and to what extent their business practices affected biodiversity. They should disclose the number of products currently produced sustainably, such as recycled plastic bottles, and information as to whether they have reduced the amount of plastic packaging in the fruit and vegetable departments. Retail chains should also outline when and how, due to reduction in profit, they decided to purchase and source more expensive yet ecologically acceptable products for the environment and the producer.

By intensifying the implementation of sustainable business practices through product advertisements and regular reporting on related improvements, retailers will directly impact consumer awareness of the importance of environmental conservation and the role of each individual in that process. Further implications are oriented towards future generations, who will in turn adopt environmental care more consciously and effectively, with retailers viewing products not only through the lens of profitability but also sustainability.

This research has several limitations. Firstly, the research was conducted objectively without direct contact with retailers, i.e., the managers responsible for sustainability development and implementation. The second research limitation is that it only included retail chains dealing with mixed goods, while other sectors, such as textiles, furniture, and household goods, were not covered in this study.

Further research should undoubtedly be focused on the opinions of customers. A survey should be conducted to see if customers are buying from those who contribute to sustainable development, and, when making purchasing decisions, if they are aware of the extent to which a certain retail chain is involved in sustainable development processes. Drawing from KPMG's research, a study should be conducted in the Republic of Croatia for companies whose securities are traded on the Zagreb Stock Exchange and see if and since when trading companies have been keeping records on sustainable development.

At the same time, further research can build upon the scientific work of Saber and Weber (2019). Furthermore, discount stores and supermarkets can be compared with respect to sustainable development reporting in the Republic of Croatia.

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