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NEW CHALLENGES FACING RETAIL AND MARKETING – SUSTAINABLE CONSUMPTION AND INNOVATIONS OF TRADE ENTERPRISES

Nowe wyzwania dla handlu detalicznego i marketingu - zrównoważona konsumpcja a innowacje przedsiębiorstw handlowych

Sustainable consumption is a term related to the type of consumer behavior being a part of the broader concept of sustainable development. In the process of selecting the method of satisfying their needs, consumers take into account a number of factors which minimize the negative influence of their buying decisions on the natural environment and the society.

The goal of the article is to identify consumers aiming at sustainable consumption and to explain the way in which companies respond to these consumers' needs by means of innovations – particularly that of the marketing and organizational nature. The study focuses on retail companies for a few reasons. First of all, companies of this type have the following characteristics: proximity to consumers, cooperation with producers in creating their offer, as well as shaping sales channels and developing a variety of time and space solutions facilitating the efficient need satisfaction. What is more, they are also leaders in innovation – these are the retail companies that adopted a number of innovations during the economic transformation period. In the last part of the article the companies' objectives are confronted with the consumers' aims, as well as barriers to development and factors conducive to sustainable consumption are discussed.

Key words: *sustainable consumption, marketing and organizational innovations of trade enterprises*

Introduction

At the turn of the 20th century consumers' awareness of the effects of human activity and consumption on the natural environment and people's living conditions substantially increased. With a view to minimizing this negative influence, the sustainable consumption concept was formulated. This concept is strongly connected with another one - sustainable development, which means ensuring implementation of the needs of the present generation without exerting a negative influence on the ability of future generations to meet their own needs. This idea was widely discussed by Dąbrowska and Gutkowska, also in the context of collaborative consumption [2015]. The sustainable

consumption idea is reflected by, among others, the selection of certain types of products and services by consumers which fulfill requirements of sustainable development. It also may mean deconsumption [Burgiel and Zralek 2015].

The essence of sustainable consumption

Examples of consumers' behaviours which fall within the scope of sustainable consumption include: the recycling of household wastes, purchase of 'sustainable' products, using energy efficient appliances, choosing green electricity tariffs, composting garden and kitchen waste, investing in 'ethical' funds, conserving water or energy, buying organic food, returning electrical goods for re-use or recycling, switching transport mode, changing travel behaviour, buying remanufactured or reused goods, reducing material consumption, pursuing 'voluntary simplicity' and so on [Jackson 2005]. Research conducted by McKinsey in 2007 revealed that 21% of respondents from countries such as: Brazil, Canada, China, France, India, the United Kingdom and the USA were inclined to pay more for products which are environmentally friendly and beneficial for the society. However, 53% of the respondents did not plan any activity in this area, in spite of the fact that they appreciated the significance of the problem. The indicated barriers were among others: low income, lack of knowledge, reluctance to give up their present lifestyle, as well as the lack of willingness to give up the preferred quality [Sustainable Consumption Facts and Trends 2008]. For instance, wealthier households are far more likely to purchase sustainable products. They also engage in higher levels of consumption; they increase their stocks of electrical appliances, better quality or organic food purchases, number of cars, frequency of vacations, and generation of waste. People with low income may lack the resources to invest sustainably, although they are no less willing in principle to take responsibility for their actions than better-off consumers [OECD 2008]. Age wise, young people between the ages of 18 and 25 tend to be very conscious of the need to reduce environmental pollution, improve human health and increase respect for human rights on a global scale. From the point of view of the gender, surveys show that women are more likely to be sustainable consumers, e.g. they tend to buy eco-labelled or organic food, have a higher propensity to recycle and place more value on efficient energy than men [Sustainable Consumption Facts and Trends 2008]. They also pay closer attention in their purchases to ethical issues such as child labour and fair trade.

There is a number of determinants of sustainable consumption, as well as factors which should be taken into account in building the profile of a sustainable consumer. According to Sanne [2002, p. 275], these factors can be analyzed in the context of: utility, differentiation and culture. The segmentation according to the attitudes and behaviors related to climate change, and most appropriate communications approaches was carried out on a sample of 2,000 consumers from the UK and the USA - [Howard, Stimson and Glynn 2007]. Two dimensions were used: the level of engagement and seeking emotional or functional benefits. The group of consumers seeking functional benefits was divided into the following segments:

- campaigners (18%) – those, who are deeply committed but require supporting evidence to trust, they are engaged and responsible, mainly women, no children,

- confused (25%) – they are undecided and need clarity of why and how, also they are detached uninformed, but are open, also women,
- unwilling (10%) – they accept climate change as an issue but are not prepared to act, they are unconcerned and inflexible, older people, lower socio-economic position,
- rejecters (18%) – they actively reject both the issue and taking action, are not interested, also individualistic and confident, older people, male.

Those seeking emotional benefits were represented by two groups:

- optimists (21%) – they are committed and want to feel good, they are interested, fashionable and confident,
- followers (8%) – partially committed, they want to look good, but are unsure, also they are image-conscious.

The described study also allowed for drawing other conclusions related to the attitudes to the indicated criteria. Firstly, buyers' attitudes are strongly diversified and have a variety of "origins", so there are a number of different variables determining attitudes conducive to sustainable consumption. Secondly, it can be noticed that among the consumers with a preference for sustainable consumption there are numerous groups of those who have problems naming any prosocial or pro-ecological brands. This fact gives companies an opportunity of formulating strategies based on sustainable development and a chance to become the market leader in this sector. For example, many respondents already pointed at TESCO as the pro-ecological leader in the sector, which means that the company's efforts are noticed. It gives this retailer an advantage over other companies of this type: Marks & Spencer, Sainsbury's, or Asda [Howard, Stimsonn and Glynn 2007]. Other retailers implemented into their strategy the concept of CSR [Stefańska 2014] or distribute product with Fairtrade certificate [Stefańska and Nestorowicz, ed. 2015].

To sum up, the growing significance of the segments of consumers who place a weight on the prosocial and pro-ecological characteristics of products is the reason why companies engage in various forms of innovation with an increasing intensity.

Sustainable consumption as a challenge for the retailers to introduce innovations

The concept of innovations in retail sector is widely discussed [Kucharska 2014; Sławińska 2011, 2015; Śmigielska 2015a, Bilińska-Reformat and Kucharska 2015]. Here the definition of Tallman, B. Blomstrom will be applied. Tallman, B. Blomstrom [1962] defined innovation in retailing as a change in the way the retail function which is accepted by the consumers which operate the criterion "value for money". It stresses the consumer role in the process of innovation adaptation.

Innovations could be classified by different criteria [Baregheh, Rowley and Sambrook 2009; Henderson and Clark 1990; Avermaete, Viaene, Morgan and Crawford 2003]. Here two criteria are adopted: influence on the market and innovation character. We concentrate on marketing, organizational and technological innovations.

As B. Pilarczyk notices, innovations in marketing are related to breaking with the routine, current practices and ways of thinking as well as departure from "out of the box thinking". The aim is to identify the needs of customers better or create the new needs,

enter new markets or reposition of the product/company [2014]. Due to the service character of retail activity especially marketing innovations are important for the company success in this sector. Regardless of the narrow and the broad understanding of innovation [Wiśniewska 2015] it is assumed in the article that marketing innovations are the novelties introduced in global, national, regional, market or enterprises scale as far as marketing strategies are concerned. Changes concern the way of conveying: market research, market segmentation and positioning, as well as different components of marketing mix.

Market research shows that the demand for products and services which contribute to sustainable consumption is growing. It is indicated by Den Hertog and Brouwer [2000] who noticed: growing demand for the high quality product, growing expenditures for ecological food, growing expenditures for the luxury foods and service, growing demand for other ecological product and services (green banking, green energy), ecotourism, recycling policy, growing demand for the alternative (environment friendly) forms of transport. As a result of these changes the new market segment has emerged. In this segment four market niches could be identified: pro-ecological clients, clients which are conscious about their health, clients which suffer from the civilization diseases (e.g. obesity, diabetes, allergies) and Fair Trade products' buyers. These niches are not fully separable and some consumers could fall even in all of them. Retailers who would like to compete successfully in the market should not make mistake and underestimate this segment, because it could become the important source of their profits.

The earlier presented findings of the research conducted on British and American consumers are promising and give companies good reasons to position themselves in the pro-ecological and prosocial segments as innovative positioning. The fact that at the moment consumers poorly position brands in these categories is another argument in favor of this strategy. It is necessary to widely communicate the brand value in such a way that it is consistent with the company's system of values. Additionally, the advantage over the other companies on the market in terms of image should not be underestimated. However, it is advisable to avoid the perception of sustainable consumption as exclusive or expensive.

Positioning is associated with the adaptation of instrumental marketing strategies. Marketing innovations targeting sustainable consumers segment include wide range of solutions connected with product:

- special lines of products - high quality, bio, organic or Fair Trade lines,
- services – which may be understood as selection of products which are dangerous for the environment, packaging which could be easily recycled or used again,
- labelling – which may mean delivering more information that is required by law; not only basic information about components and country of origin are included on the label, but also about the way the product was manufactured or nutrition information.

The innovations mentioned above are product innovations. They include goods but also products which are labeled as own retail brand. Nowadays retail chains are involved not only in the manufacture process of own brand product but also often intervenes in the process of manufacturing goods. Its role goes beyond goods placement on the retail shelves but includes also their promotion by the merchandising and information practices.

Also the price should be an information for the consumers. Taking into account the idea of sustainable consumptions when developing marketing strategy often requires using better and more expensive materials and components. It is reflected in higher price of final product but the consumer should believe “that a higher price or premium is sustainable and resides precisely in the company’s reorientation towards the principles of environmental sustainability and environmental preservation” [Serbănică, Radulescu and Cruceru 2015]. The price can be a source of information of fair relations between retailers and producers or suppliers. In some situations price is strongly integrated with caused related campaigns (CRM), which are based on sharing part of margin to support individuals or organizations. In some cases this CRM campaigns became integrated with price policy for longer, making this marketing tool stronger more strategic than operational and, what’s more - connected with social responsibility and sustainable relations with stakeholders for example with local communities [Stefańska and Pilarczyk 2015].

Promotion could involve also loyalty programs. Tesco, for example, issued the draft Green Clubcard. Club members are encouraged to select products safe for the environment, recycling and reuse of packaging. By promoting ecological consumption, companies not only contribute to environment protection but also increase brand value. The final image is the one of the key retailers resources and key factor of being successful when targeting “sustainable consumers”.

Place can also be a tool of communicating sustainability – when stores use ecological energy, promote recycling, offer special pro-social services, decrease use of energy or water. Also stores or shopping centers participate in recycling process. Another form of promoting sustainable consumption is education in store, which means that during shopping consumers may be informed or be asked to participate in any contest or training programs which promote this idea.

The scope of innovations launched nowadays by retailers is much longer and refers not only to marketing innovative solutions [Ahuja, Ghosh, Jain, Pandey, Kalita and Sidana 2014, Sztangret and Bilińska-Reformat 2014]. Also organizational innovations are significant for retailers shaping sustainable consumption. They are often integrated with innovations in technologies. The examples of innovations launched by retailers are presented in table 1.

Table 1. Examples of retailers’ activities promoting sustainable consumption

Tesco
-Eco-points, -Education for children within „Tesco for schools” and „For environment” programs, -Eco Campaign – glass recycling -Big Collection of Electrogarbage -Energy-saving technologies used in distribution centers and shops -Energy-saving shops -Recycling of waste (in 2011 it covered 62.2%) -Collection of recycling materials in company’s offices -Greener living products, -Tesco Organic and Fair Trade
Carrefour
- „From love to environment” campaigns -Day of the Earth celebration - Educational campaigns for employees and customers,

<ul style="list-style-type: none"> -Monitoring and reduction of carbon dioxide emission -Monitoring of the cooling factors harmful for the ozone layer -Limitation of the energy consumption in retail outlets -Limitation of waste -Cooperation with suppliers for the reduction of transportation costs -Carrefour Quality products manufactured with respect for nature
<p>IKEA</p> <ul style="list-style-type: none"> - Recycling City Ikea Campaign, - Co-organizer of the European Week of Sustainable Transport -Tree planting campaigns - Participation in the educational campaign „Read labels – protect yourself and your world“; co-organized by the Polish Trade and Distribution Organization as well as the Consumers Federation -Ecological service for customers on the website -Introducing solutions aimed at energy and water conservation and contributing to the limitation of waste - Sustainable sources of raw materials, particularly wood and cotton -Printing technologies consuming less water than the traditional ones -Water conservation through reduced water consumption in outlets - Reduced carbon dioxide emission in all types of activities: in shops, distribution centers, building, transport and business trips -The use of production waste for manufacturing new products -Type of packaging allowing for the increased effectiveness of transport services -The choice of suppliers meeting specific requirements -Designing environmentally- friendly products

Source: [Śmigielska 2015]

Some retail companies have started to invest in technologies with low-carbon to reduce greenhouse gas emission into the atmosphere, which include technologies based on renewable energy sources such as wind or gasification technology which enables the conversion of energy.

These technologies are not cost effective now; they are more focused on the future. It is assumed that in the future they will help companies reduce their operating costs. Retailers shall also cooperate with suppliers in order to increase the efficiency of the delivery process. Interesting innovation are green stores - at the moment major retailers like Wal-Mart use the latest technologies in its stores to change the way buildings are heated, lighted and air conditioned. These buildings consume about 30% less energy than built in the traditional way. Other form of sustainable innovations are "Zero Waste" policy- trading companies try to limit the amount of waste generated as a result of commercial activity. This not only reduces costs but can also become a source of additional income. Their goal is 'zero waste'.

The transportation solutions are also connected with ecology by reducing the distance food transport - retail companies that are leaders in the global carry out reengineering their supply chains of food and other agricultural products, so as to reduce the distance traveled by the goods. The aim is to organize as many deliveries from manufacturing sites located in the vicinity of food consumption. This reduces transport costs and at the same time carbon dioxide emissions into the atmosphere.

Another interesting innovation launched in retail sector in last years rely on opening new types of markets- social markets. The model of business is based on the idea, that retailers, due to their restrict policy of fresh food quality or packaged food with short expiration date often throw food in the trash. But instead of throwing out worn vegetables and fruit or dented cans or the almost outdated – those products can be

delivered to stores in which are sold by half price or given for free. Of course any regulations connected with safety and protection of customers health has to be followed. This type of supermarkets started to operate in Denmark at the beginning of 2016, and at the end of the year next store was opened due to it's popularity among customers.

Conclusions

The examples of innovations conducive to sustainable consumption reveal a considerable interest of retail companies in this idea. Nevertheless, it should be noted that there are a number of barriers to this type of consumption on the side of consumers. Consumer willingness often does not translate into sustainable consumer behavior because of a variety of factors – such as availability, affordability, convenience, product performance, conflicting priorities, skepticism and force of habit [Sustainable Consumption. Facts and Trends 2008]. Innovations are usually expensive, due to the high costs of research and development or materials used in production process, as well as overcoming the consumers' and intermediaries' resistance to novelties in distribution channels. Another type of barriers results from prejudices, e.g. some consumers may be biased against items manufactured from recycled materials because of concerns about the quality of performance. There may be fears that recycled materials, like paper will jam printers and photocopiers, refilled inks will damage printing machines or that re-refined oils will damage their vehicle. Also low level of awareness of some social groups may influence attitude toward using recycled products. Consumers may be “locked in” to unsustainable patterns of consumption by social norms or peer pressures which dictate more and higher-priced goods no matter social or ecological costs of production.

This may be the reason to develop government policy and create instruments such as subsidies and tax rebates to support low-income households not to let them to bear a disproportionate share of the cost of sustainable consumption policies. A part of these limitations need legislative regulations promoting sustainable consumption. Another part requires activity of companies interested in building competitive advantage in this area. At the same time a serious responsibility rests with consumers and their choices. That is why it is very important to educate them, promote sustainable consumption and communicate the benefits it may bring to the present and the future generations. The rising income of societies will result in the increased interest in this type of consumption. Particular responsibility lies with the retailers to meet the needs of consumers, society and environment.

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Streszczenie

Zrównoważona konsumpcja to termin określający pewien rodzaj zachowań konsumenckich, wynikający z szerszej koncepcji – zrównoważonego rozwoju. Konsumentci, wybierając sposób zaspokojenia potrzeby, biorą zarazem pod uwagę szereg czynników, które zapewniają minimalizowanie negatywnych dla środowiska naturalnego i społeczeństwa skutków własnych decyzji zakupowych.

W artykule dokonano charakterystyki i identyfikacji konsumentów dążących do zrównoważonej konsumpcji. Ponadto wyjaśniono, w jaki sposób przedsiębiorstwa odpowiadają na potrzeby tych nabywców innowacjami – w szczególności marketingowymi i organizacyjnymi. W opracowaniu skupiono się na przedsiębiorstwach handlowych z kilku powodów. Przede wszystkim przedsiębiorstwa handlowe wyróżniają takie cechy, jak: bliskość względem konsumentów, współtworzenie oferty z producentami, a także kształtowanie kanałów sprzedaży i tworzenie szeregu udogodnień czasowych i przestrzennych umożliwiających sprawne zaspokajanie potrzeb. Są one także wiodącymi podmiotami pod względem innowacji – to właśnie przedsiębiorstwa handlowe najszybciej zaadoptowały szereg innowacji w okresie transformacji gospodarki. W ostatniej części skonfrontowano dążenia przedsiębiorstw z celami konsumentów i wskazano na bariery rozwoju i czynniki sprzyjające zrównoważonej konsumpcji.

Słowa kluczowe: *zrównoważona konsumpcja, marketingowe i organizacyjne innowacje w przedsiębiorstwach handlowych*

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