FINANCIAL SUSTAINABILITY OF RETAILERS` ENVIRONMENTALLY RESPONSIBLE ACTIVITIES INVOLVED IN THE SUPPLY OF TOURISM INDUSTRY

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Abstract— The main purpose of this paper is to address financial sustainability and environmental concern in the context of retailing and itslogistical support for tourism industry. In order to clarify the financial sustainability of environmentally responsible activities and the ways how such activities contribute in achieving financial sustainability in retailers` logistics operations, it has been explored in the qualitative study among the top retail companies in Croatia.The results suggest that retailers place an emphasis on activities designed to cut costs and to manage their environmental responsibility, as they may facilitate an environmentally friendly corporate image which has been shown to increase sales and a long-lasting relationship with their customers

Keywords— Financial Sustainability, Retailing, Environmental Concern, Supply, Tourism.

I. INTRODUCTION

Financial sustainability is a concept that is incorporated in every organisation, and achieving financialsustainability is an ongoing process that has tobecome part of every organization's day-to-day management.It is a relatively new field of research which has become more important with increasing environmental challenges and rising concern for cutting costs in companies (Dahle and Neumayer, 2001).
Kuisma (2003) explains that in any company good economic results and financial resources are essential to develop environmental responsibilities. On the other hand, the implementation of renewable energy technology can reduce financial costs, increase possibilities for saving money, and reduce environmental impact.

Moreover, if a company must be reorganized for financial reasons, then some projects in the area of environmental management will definitely be postponed. On the other hand, acting in a responsible way has to be profitable, either directly or indirectly, or sparing no effort will decrease.In general, companies should make a lot of effort to achieve financial sustainability and provide (Leon, 2001):

- long-term commitment – companies require a long-term commitment to generate income and achieve success,
- leadership - it is nearly impossible to achieve financial sustainability without the commitment of the organization's leadership and directors,
- investment of time and money - resources are necessary to achieve financial sustainability, and companies have to make decisions whether to spend money or to invest it in business operations,
- business plan - a business plan enables a company to identify essential factors for evaluating whether the effort involved in the initiative is worthwhile,
- effective management team - a business cannot function without a leader with the vision to implement the initiative,
- team work - it is essential to train staff members and communicate with them in order to increase their capacity and motivation.

The same source (Leon, 2001) suggests that there are four key elements of financial sustainability:

1. Strategic and financial planning - the mechanism to help clarify an organization's mission and objectives, to prioritize the actions needed to accomplish them, and to determine if the company is going to have sufficient resources available in the medium term to meet the objectives described in the strategic plan,
2. Income diversification - internal income generation, and the number of income sources that provide main funding,
3. Sound administration and finance - to know how to manage resources to achieve financial sustainability as well as to know how to generate income (companies need to maintain incoming cash flow requirements to cover outgoing expenses),
4. Income generation – a way to diversify company`s sources of revenue (many companies offer products or services as an income-generating strategy while non-profit organizations can generate income through public contributions or through corporate alliances).

In order to clarify the financial sustainability of retailers` environmentally responsible behaviour in

managing supply activities and the ways how environmentally responsible activities contribute in achieving financial sustainability in a company as a whole, it has been explored with the qualitative study among the top retail companies operating in the Croatian market. Finally, a discussion of the theoretical and managerial implications, including limitations, of the study and directions for future research are presented.

II. FINANCIAL SUSTAINABILITY AND RETAILERS` ENVIRONMENTAL CONCERNS

Due to agreements on global warming,increasing environmental concerns, EU and government regulations, and the advent of ISO 14000 (a voluntary international standard tocertify environmental processes developed by the International Organization forStandardization)companies are increasingly interested in capturing benefitsassociated with environmental sustainability (Watson et al., 2004). Many retailers assume that environmentally responsible activities raise their costs. But the fact is that programmes for environmental protection actually reduce costs (Waters, 2003). Pagell et al. (2004) try to explain that managers make balance efforts to reduce costs and innovate while maintaining good environmental (ecological) performance. Their decision on how and where resources are used can potentially have a major impact on the environment (Wu and Dunn, 1995).

The financial sustainability of retail company presents its capacity to cover all of its expenses by its revenue and to generate a margin to finance its growth. As retailers have become more than passive intermediaries between producers and manufacturers on the one hand and customers on the other, there are many areas where they have shown their interest in improving environmental performance. For the purpose of this paper we focus on environmentally responsible activities that are related to providing necessary logistical support for tourism industry.

In general, retailers` direct environmental impact includes energy consumption, air and water emission, solid waste stream, recycling, refrigerant use, food safety concerns, land use, logistics etc., and there substantial opportunities for improving energy efficiency are in those areas.In “A Better Retailing Climate Progress Report“ (2010) British Retail Consortium set targets of increasing the share of renewable energy in the transport sector, greenhouse gases reduction for fuels used in the transport sector,reducing transport emissions by re-designing distribution networks, using more efficient vehicles, sharing loads where feasible to reduce waste to landfill, reducing consumer food and packaging waste by optimising packaging and providing recycling information, and minimising waste from operations and managing sustainably any unavoidable waste.

Introducing environmentally responsible purchasing, retailers can encourage partners to develop environmentally-friendly processes and products and to provide information about environmental aspects through eco-labels, ISO14000, EMAS and other certificate reporting. Large proportion of retailers is vertically integrated into wholesale, distribution and other functions. Performing these activities, they can influence the level of energy use and air pollution concerned with exhaustion from trucks and other vehicles. UNEP (2003) suggests solutions such as backhauling/return logistical solutions, local sourcing, alternate-fuel vehicles use of rail and ships, employee carpools, etc. Alternative vehicle fuel can be bio-diesel, bio- ethanol, hybrid-energy and electricity. Introduction of transport management system can reduce daily delivery and optimize flow that can yield substantial savings. Wu and Dunn (1995) consider transport as the single largest source of environmental hazards in the logistics system as vehicles generate noise and emit toxic chemicals into the air. According to the same source, retailers` logistics managers can reduce the use of road transport, increase the use of alternative fuels of their fleets, and keep their fleets more energy efficient and less polluting. For example, experiments with alteranative fuels are not only driven by environmental but also economic and financial concerns.

Besides, retail operators can be vertically integrated into manufacturing (bakeries, dairy, beverage facilities) causing additional environmental effects that arise from these activities - water emission and waste. UNEP notes that supply chain includes other indirect environmental impacts such as raw material use, labour standards, animal welfare, effects on biodiversity (UNEP, 2003). In their discussion on logistics elements and their environmental impact, Wu and Dunn (1995) point out a recent trend of consolidation of distribution centers, warehouses, which has led to a reduced number of logistics nodes in operation and to a more efficient operation at lower levels of inventories. Logicaly, the results are cost saving and environmentally responsible due to reduction of storage, energy and excess location.As shared information could eliminate inefficient shipping (with better prediction and co-ordination) and excess inventory, using information systems in such a way are considered environmentally less costly.

III. RESEARCH METHOD

After the secondary data collection and analysis (the relevant Croatian and foreign literature with the topic

of financial and environmental sustainability, logistics, retail green practices, tourism), the study on the sample of top sevenretail companiesin Croatia was conducted. Empirical data for this study were collected in two stages. At the first stage, an internet search on the sample of selected grocery retailers was undertaken in April 2015. The search included their web pages and the aim was to obtain some basic information about selected retail companies, the organization of their distribution and logistics activities, and about their commitment to environmental and economic goals. In other words, the main purpose of the first stage was to reveal how those companies promoted environmentally concious behaviour in their business activities through information posted on the World Wide Web.

At the same time, in the context of the second stage, in depth interviews with retail senior managers, who are familiar with green initiatives in operational activities on a daily basis, were conducted. In order to be sure and to identify whether the selected retail companies would be prepared to participate in this survey, we made pre-survey telephone calls. All the necessary contact phone numbers were obtained using the information available on companies` corporate web pages. The participants were assured anonymity and confidentiality. The research instrument included questions adapted fromSiew et al. (2013), Isaksson et al. (2011), andDahle and Neumayer (2001), with the intention to find out how retailers encourageenvironmentally friendly practicesin the hotels` supply, for example using refillable containers instead of many bottles of shampoo/soap in guest rooms, favorizing local natural authentic food in a hotel restaurants, using large quantities (jam, Nutella, etc.) for breakfast instead of small packaging, etc.Thus, the interview lasted on average about 25 minutes and was transcribed.Results of the interviews were analysed by categorizing the responses into major conceptual areas.

IV. RESULTS AND DISCUSSION

The interviews among retail companies reveal that retailers introduced a number of environmentally friendly initiatives embracing their product range, packaging, waste disposal, recycling, energy consumption, etc. Those activities have increased their profitability, lowering costs and offering better quality in all business activities. At the same time, the findings show that the majority of retail companies were involved in the supply ofsmall family hotels (small hotels have become more and more popular in Croatia due to their successful market orientation). Four companies focused their business operations to restaurants and large hotels. It is interesting that respondents evaluated their co-operation with restaurants with higher grades than their co-operation with hotels. In their supply operations, retailers reduce carbon dioxide emissions, they have put in place transport management systems that reduce daily delivery and optimize flow. They use ICT in order to improve transport planning of routes. They optimize transport routes to their customers in order to respect the environment. To reduce unnecessary exhaust emissions, retailers regularly modernize their transport fleet.

All respondents mentioned the use of IT solutions for monitoring the flow of products. Moreover, they pay more attention to the application of technological means and the use of computer information, such as from the GPS to the team`s information management and to the ultimately track positioning system. Respondents point out the extensive initial capital costs associated with the usage of energy-saving technology of air-conditioning and heating, waste management, using alternative fuels, better transport utilization, reverse logistics, etc.As the literature suggests that financial sustainability is obtained when a company`s expenses are covered by its revenue, respondents were asked about the payback period of implemented innovative technology. For the majority of the investigated Croatian retail companies, this period was more than five years. This long payback period is in line with the findings of the research conducted by Dahle and Neumayer (2001). However, investments in technologies do not always provide the expected returns. If the implementation of new technologies allows retailers to offer their products and services to the market at prices that cover their expenses and generate a profit, as well as improve their communication with suppliers and other members of the supply chain, then we can say that financial sustainability has been achieved.Taking into consideration the economic situation in Croatia, it is logical to expect that kind of viewpoint and the respondents` explanations such as:

"Today, investing in innovative technologies in the retail business to be environmentally conscious is considered a sign of success, due to the recession in Croatia and long periods of return on these investments"

Retail managers pointed out that very often their customers (hotels and restaurants) use their support in the supply of beverage and small quantities of other non-food products. They point out flexibility in supply of such small quantities as the main requirement imposed by restaurants and hotels, which mostly affect the level of their mutual trust and co-operation. At the same time, it is not worthwhile from both environmental and cost perspective, which cannot lead to financial sustainability as well.

Given the complex nature of the study phenomenon, we have to point out many opportunities that lay

ahead for new research.On the one hand, future research could expand completely into the financial aspect of environmental activities, and on the other hand, attention of researchers could be placed on innovations in the areas of environmental issues in retailing. An additional starting point for future research could be to extend the qualitative approach by incorporating the key elements of financial sustainability and more convenient data collection that could allow generalization of the findings across the entire retail industry.

CONCLUSIONS

In turbulent environment with intensified competition, retail companies are interested in adopting environmental managementsystems, seeking to make companies simultaneously more competitive andenvironmentally responsible. This paper has examined the impact of retailers` environmental behaviour on the possibilities for saving money, demonstrating new and clean technologies, and increasing customer satisfaction in tourism industry. The findings from the interviews among retail companies operating on the Croatian market suggest that although they are highly aware of the importance and benefits of environmentally sound management practices of logistic activities, they still have considered the perceived costs of the implementation of such environmental initiatives and the payback period as the main obstacles of their financial sustainability.

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