SUSTAINABILITY: ECONOMIC, ENVIRONMENTAL AND PUBLIC ISSUES. MARKETING POSSIBILITIES

Santa Bormane¹, Daina Škiltere², Anda Batraga³

University of Latvia (Latvia)

ABSTRACT

The research aims to update the corporate marketing role in promoting sustainability. The study is based on the assessment of today's economic, ecological, and social responsibility issues, as well as public issues associated with the development of sustainability. The following scientific research methods have been applied in the research: analytical, comparing, graphical, statistical and surveillance methods. The authors have studied sustainability issues, i.e., economic, environmental and social, in the world and particularly in Latvia, as well as their impact on public welfare. In research, there was chosen and analysed the Latvian food retail industry, which makes a significant contribution to the economy of the trade sector. Companies, which take on social responsibility, should focus in their activities on the education of consumers. Using marketing communications, they can educate their consumers about ecological characteristics of products and their environmental impact on the public health, i.e., composition of products, acquisition, storage, use and disposal possibilities, also putting great emphasis on the Latvian products. Thus, companies can support the domestic market and promote sustainable development of the Latvian economy in general.

KEYWORDS: sustainability, sustainable development, sustainable marketing, integrated marketing communications for sustainability.

JEL CODES: M310.

DOI:

Introduction

Recently, society, literature, the press and others have been often discussing the topic of social responsibility, ecology, 'green' policy and sustainability. For people, it has become important not only to meet their basic needs, including their own health, but also to preserve and improve natural resources, be less harmful to the environment, and hand over to the next generation the opportunity to meet their needs at the same level, maintaining the existing natural resources and ecological production. The urgency of the topic stems from the fact that the today's issue is not only economic development of the country, lack of support for local producers, payment for work, job and employment opportunities for Latvian citizens, but also environmental pollution. However, pollution is not only from the waste generated by the use of products and their packaging, but also from poor quality imported goods, which are thrown away after being used for a couple of times, to the detriment of the environment. Consumers often do not think how important is the quality of products, their packaging and disposal facilities, and thus they even do not know where to buy good, high-quality, ecological local products.

Therefore, it follows that sustainability depends not only on the production process of an ecological product, but also on investments made to improve the existing situation in the future. The goal of research is to update the corporate marketing role in promoting sustainability, based on the assessment of today's

Santa Bormane – PhD student at the Faculty of Business, Management and Economics, University of Latvia E-mail: santa.bormane@gmail.com
Tel. +371 265 824 23

Daina Šķiltere – Dr., professor at the Faculty of Business, Management and Economics, University of Latvia

³ Anda Batraga – Dr., assoc. professor at the Faculty of Business, Management and Economics, University of Latvia

economic, ecological, social responsibility and public issues associated with the development of sustainability. In order to reach the goal, the following objectives have been set: 1) to prepare a global view study on sustainability issues; 2) to do the analysis of economic, social and environmental issues in Latvia; 3) to provide an insight into the marketing role of the Latvian food retail chains and the potential to promote sustainability; 4) to develop conclusions and suggestions based on the analysis.

In the paper, the following scientific research methods have been applied: analytical, comparing, graphical, statistical and surveillance methods. The authors have studied sustainability issues (economic, environmental and social) in the world and particularly in Latvia, as well as their impact on public welfare.

Sustainable marketing covers not only changes in the production, supply or sale process associated with specific products of a company, but also the changes in the management, thinking and behaviour of society in general. In view of the fact that modern society is interested in promoting the environment, ecology, healthy lifestyle and other social welfare issues, companies, through sustainable marketing, should offer products on the market thinking about the conservation of natural resources and their availability to the next generation. Companies, which take on social responsibility, should focus in their activities on the education of consumers. Using marketing communications, they can educate their consumers about ecological characteristics of products and their environmental impact on the public health, i.e. composition of products, acquisition, storage, use and disposal possibilities. Thus, companies can support the domestic market and promote sustainable development of the Latvian economy in general.

Despite the fact that the shelves of the Latvian food retail chain stores are full of imported food products, in the context of sustainable development of the Latvian economy, local producers should continue their activities. Therefore, it is important not only to study the market, competitors, consumers, and others, but also to carefully analyse and think about the practical use of marketing strategies for food retail chains. The authors of the paper have chosen food retail chains as the object of research, because they are leading the food trade sector and make a significant contribution to the economy of the sector.

1. Sustainability as a challenge in the modern world

Sustainability has become an important topic in the modern society of the twenty-first century, because all around the world the population grows fast, technologies evolve, relationship between the economies change and other important topics are also influenced relating to economic issues such as population, poverty, health, oil, preservation of ecosystems, food, water, climate change, and so on (Martin, Schouten, 2012: 8–9).

Some time ago, scientists drew attention to the fact that if the economic growth continues in the same manner as before, then already in the next 100 years the limited environmental options will be exhausted and a rapid reduction of the population and industrial capacity could happen.

Sustainability, sustainable thinking and sustainable development today are being explained differently. In the report published by the UN World Commission on Environment and Development in 1987 "Our Common Future", sustainable development is defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". The authors share the view that both equality of several generations and equality in each generation are needed, because the economic growth has not promoted equality between the rich and the poor. Consequently, the constant output growth in order to eradicate poverty has not paid off (Dimante, 2010: 364).

It follows that sustainability depends not only on the process of making an ecological product, but also on investments in the future by improving the existing situation. This is proved by the Sustainable Development Strategy of Latvia "Latvija 2030" drafted by the Latvian Ministry of Regional Development and Local Government, aiming mainly at outlining guidelines for the country's development and spatial perspective for the period until 2030.

Sustainability depends on the environment and the economy, as well as the public contribution to the overall development. This means that an essential element of sustainability is society, and its actions and thinking. The authors do not agree with the view that: "Sustainable development is a manner of resource

utilization in order to ensure human needs while preserving the environment so that these needs can be satisfied not only by the present but also by future generations" (Andersone, Gaile, Aramina, 2010: 1), because they believe that this definition does not emphasise the social, environmental and economic development integration. The authors suggest the following definition: "Sustainable development is the integrated and balanced development of society, welfare, the environment and the economy that meets physiological, social, and other needs of the population and ensures preservation of environmental and ecological diversity without compromising the ability of future generations to meet their needs" (Praude, Bormane, 2013: 165).

Such a definition of sustainability is also shared by Director of Sustainability Studies at the University of Florida Leslie Paul Thiele (2013: 5), emphasising that sustainability has traditionally been described as standing on the three pillars – Society, Ecology and Economy. The point is that these three goods stand, or fall, together. You cannot have one without the other two. Jurgen Strube, the former chairman of BASF, the large German chemical company, also believes that sustainable development in the areas of the economy, ecology and society will be the key to the success in the twenty-first century. Society cannot continue to enjoy economic growth without reference to the consequences for environmental protection and social stability (Brassington, Pettitt, 2006: 22).

Sustainability is a deeply integrated concept, where all the elements are interrelated. Sustainability is not limited to environmental and ecological problems, although, obviously they are important, but it also deals with the issues associated with social, economic, and cultural development.

2. Economic, public and environmental problems in the world

The problems that have arisen because of incomplete realisation of the need for sustainable development are present in the all three dimensions mentioned above – the economic, social and environmental dimension.

Environment. It is important that development planners consider environmental aspects when deciding on the development of an area or a region. For example, the loss of valuable natural resources should be included in the calculation of the overall economic growth and public welfare. Alternatively, the policy-makers could set a goal of avoiding a net loss due to the consumption of environmental resources. In other words, if environmental resources in any area or region are critically reduced, or used, then the same resources in a different location are being restored in the same quantity or with a premium (Todaro, 1997: 342).

From the sustainability point of view, this would be the right approach, at least in respect of the natural resources which can be renewed. Most often, this problem refers to forests, which are massively cut down and only a small portion is restored. Trees and forests are the planet's 'green protective layer', which absorbs CO_2 entering the atmosphere and helps to reduce the amount of gases in the atmosphere, which grows constantly and causes the so-called 'greenhouse effect'.

The effect of the constantly increasing global average temperature is clearly reflected in the fast-melting Arctic glaciers. The ice cover around the poles plays a significant role in ensuring stability of the global climate. Since ice has a bright surface, it helps to keep cool climate around the poles and at the same time reflects 80% of solar energy back into space. Since during the summer period the amount of ice around the poles decreases, wider ocean areas are exposed to solar energy. Instead of reflecting solar energy, the ocean absorbs it and heats up resulting in melting ice and rising temperatures around the poles. Over the past 30 years, the scientific measurements have shown a worrying trend – the amount and thickness of ice has dramatically reduced. And it is also consistent with the observations of global warming. The loss of the ice cover around the poles can only accelerate the pace of global warming and drastic changes in the global climate.

These statements are confirmed by the studies and observations of the National Aeronautics and Space Administration (NASA) in relation to global climate change, revealing the alarming truth that between the years 1880 and 2015 the average global temperature has risen by 0.87°C (Dynamics of changes in the planet's surface average annual temperature (degrees Celsius)). Meanwhile, the area of the Arctic ice cover has decreased from 7.19 million square kilometres in 1980 to 4.72 million square kilometres in 2016, which, given the trends, is a decrease of 13.3% per decade (Average changes in the area of the Arctic sea ice per

year in square kilometres). President of the World Bank Jim Yong Kim (2012) has also drawn attention to the obvious climate change emphasizing that the increase in global temperature must be kept below 2°C, because if this threshold is exceeded, the temperature rise of 4°C could have disastrous consequences – flooded coastal cities, reduced amount of global food stocks, increased frequency and intensity of heat waves, heavy rains and tropical cyclones, environmental diversity will suffer significantly, especially coral reefs, etc.

Not only wildlife, for example, polar bears living on the Arctic glaciers, but the entire world and the people in general suffer from these changes. As the Arctic glaciers melt, the Gulf Stream may be chilled or in the worst case completely stop, and then the consequences could be much more critical than currently observed abnormalities when some regions experience long drought (for example, in Australia, the USA), but some regions face persistent rain that causes floods (for example, in South Asia: The Philippines, Malaysia, Bangladesh). In Latvia, such changes can be observed as well. Winters have become highly unpredictable as the average temperature in recent years during the winter months is around 0 degrees and often snow does not hold more than a few weeks.

The cause of the problems lies mainly in the consequences of human activities. As the population grows in the world, human needs for resources – services and products for meeting their needs – grow in proportion. In order to ensure this, production is being developed, which is something positive from the economic outlook, but it imposes an additional burden on the environment and its ability to absorb the impact of CO_2 and other harmful emissions.

At the same time, as the production and consumption of products grow, the level of carbon dioxide CO₂ and other polluting gases in the atmosphere also grows. These gases trap solar heat in the Earth's atmosphere, as a result, the Earth does not reflect it and global warming occurs (Par klimata izmaiṇām, n.d.). The amount of waste generated by people also increases. The Chairman of the Board of the society *Latvijas Zaļā josta* Velga Vilciņa (Par mums, n.d.) leads the society with one of its main tasks to raise public awareness of the importance of the people and environment interaction and the consequences of inappropriate activities. She notes that decomposition of household waste in the environment or incineration of household waste in unsuitable conditions causes not only substances which are harmful to the human and animal health, but also the substances that contribute to climate change, including global warming (Vilciṇa, 2010).

Economy. A successful precondition for sustainability is reflected not only in activities, cooperation and desire of the institutions to protect the environment and natural resources, but they also must meet economic needs and cultivate economic opportunities. In turn, it must meet social needs and cultivate equitable relationships among different social groups. You are not running sustainable business, no matter how "green your practices", if you consistently fail to make a profit and cannot pay your employees (Thiele, 2013: 5). The authors agree that one of the company's objectives is to work with a profit for the benefit of many stakeholders:

- the state, which receives revenues to the Treasury from taxes;
- the local community, because of the new jobs generated and opportunities for career development provided;
- the local area, because, together with the development of the company, infrastructure is also developed and solid foundation is laid for the establishment of other companies and attraction of investments.

Still, the authors want to point out that profits should not be the leading-motive for company's activities. One of the global challenges faced by the modern world is income inequality, which was recognised by the experts in the report of the World Economic Forum as the most important trend in 2015 and the second important trend in 2014. It was concluded that this problem affects all countries and regions in the world. In developed, as well as developing countries, the poorest half of society controls less than 10% of the total wealth (Mohammed, 2014).

Also the study carried out by the Organisation for Economic Cooperation and Development (OECD) in 2014 on the impact of income inequality on the country's GDP growth rates (OECD, 2014) reveals that income inequality has a negative and statistically significant effect on the country's medium-term GDP growth, as

shown in the chart "Estimated consequences of changes in inequality (1985–2005) on subsequent cumulative growth (1990–2010)". Rising inequality by 3 Gini points, that is the average increase recorded in the OECD over the past two decades (1990 to 2010), would drag down economic growth by 0.35 percentage point per year for 25 years: a cumulated loss in GDP at the end of the period of 8.5%.

The entrepreneur and publicist Chris Meyer and the senior editor at the Harvard University Press Julia Kirby (2014) believe that income inequality falls directly into the scope of sustainability issues:

- 1. Income inequality has negative effects on society that leave subsequent generations worse off. Among advanced economies, studies show close correlations between a nation's degree of income inequality and its rates of homicide, imprisonment, infant mortality, teenage births, and obesity. Beyond blighting many lives, every one of these 'social' problems imposes a huge tax on society by increasing the costs of security and healthcare and allocating resources to unproductive uses, like prisons.
- 2. The bimodal distribution of incomes is inimical to the consumption behaviour businesses depend on to thrive. The evaporation of the middle class, like the disappearance of fish stocks or forests, will be the end of many companies.

One of the great challenges of this time, living in the capitalist economic system, is public education. Nowadays, when competition is intense and consumers have a wide range of opportunities to choose the desired product from the huge supply, but companies work according to the principle to meet consumers' needs and whims, sometimes companies need the courage to change these principles (Brassington, Pettitt, 2006: 23). Society and consumers, in a way, have come to a dilemma, i.e., on the one hand, society is aware of the need to act to limit the inefficient consumption of resources, but on the other hand, consumers are not willing to give up the opportunity to choose the product which suits them best. While reducing the production, there is a risk that jobs may be lost.

Taking into account the basic market principles, it is logical that people are looking for the highest quality at the lowest price, but the question remains relevant – to the expense of what is the lowest price provided? Usually everything starts with the purchase of raw materials and production and, looking from the company's perspective, it is natural to produce in an area where product cost per unit is the lowest. Usually, the choice falls in favour of the eastern countries – China, India, etc. Often, when purchasing a product, the consumer is not aware that, for example, working hours of the workers who produced the product exceed the agreed rules, the wage covers only minimum of the worker's basic needs and working conditions are sometimes even dangerous to health and life.

Studies also have shown that consumers, given a free choice to pay more for organic and ecologically clean products, find it difficult to establish a link between their individual purchasing decisions and impact on the global situation. This, of course, will take time for society to adapt and achieve balance, but evidence indicates, if changes are not made, then the long-term negative consequences for both the environment and society will be inevitable (Brassington, Pettitt, 2006: 23). It cannot be called sustainable development from the public development point of view, if in one part of the world people live in deep poverty, thus ensuring preconditions for a small group of individuals elsewhere in the world to live in prosperity, consuming more than they actually need, 'at the expense of these people'.

Sustainability is essentially the answer about how to work and operate in the today's changing environment – to use natural resources less wastefully and allow the economy to gain more far-reaching benefits from them, i.e., to achieve long-term effectiveness in the sectors where the state, the company or the institution operates. For example, engineering solutions, which make the machinery and production 'greener', are undoubtedly a step in the right direction towards sustainable development and a better life. Planning ahead and increased productivity will ease many of the economic, social and environmental challenges we face today (Thiele, 2013: 3–4). Understanding of sustainability and sustainable development allows for a better understanding of the world and the people, because we live in a constantly changing social, economic and ecological network. And this understanding contributes to taking responsibility for integrity and existence of this complex network. Sustainable development encourages innovation and new ideas. It is impossible to achieve the goal of sustainable development just 'sitting still'. One should learn, improve and adapt. Without

changes it is impossible to maintain values in any of the sustainability dimensions. It should be understood that sustainability is not an abstract idea about how to create a model of the world where nothing changes. On the contrary, sustainability is a principle of managing changes in the world, a country, a company or in a region, focusing on serving the interests of the largest possible number of groups involved.

3. Sustainability problems in Latvia

For the first time in Europe, the concept of 'sustainable development' was mentioned in 1972 during the UN Conference on the Human Environment in Stockholm. In subsequent years, the debate on sustainable development continued, until in 2006, the EU Sustainable Development Strategy was renewed covering all the major sustainability-related dimensions – social, economic and environmental (Daugavietis, 2015).

In the laws and regulations of the Republic of Latvia (RoL), 'sustainability' was mentioned already in 1994 speaking about sustainable use of natural resources in the Baltic Sea region. In 2000, the first conclusions were made on the need for the concept of sustainable development in the laws and regulations of the Republic of Latvia and in the following years the term 'sustainable development' and related ideas were included in the main national documents, including the Preamble of the Constitution of the Republic of Latvia drawn up in 2014 (Daugavietis, 2015).

It is obvious that sustainability and the principles of sustainable development are not strange in Latvia. Practice and examples have proved that success can be achieved if a long-term plan is drawn up, measurable and realistic goals are set and appropriate behaviour is adapted; furthermore, at the same time, regular monitoring of the implementation of the plan should be performed. According to this principle a number of planning documents such as the Latvian Strategic Development Plan 2010–2013, the Latvian National Development Plan 2014–2020 (NAP2020), and others, have been developed. In addition to the newly drafted development plans, the development is also regulated by the Regional Development Law, Spatial Development Planning Law, etc. (Daugavietis, 2015).

NAP2020 is the main medium-term development planning document in Latvia. NAP2020 shows where the state plans to invest so that to achieve self-sufficiency of the economy, productivity growth and competitiveness of the country, as well as what the state undertakes to achieve by 2020 and what it expects from society (Latvian National Development Plan 2014–2020, n.d.).

In turn, in the meeting held on 10 June, 2010, the vision for long-term sustainable development was approved by the Saeima of the RoL; the vision was presented in the 100-page document – Sustainable Development Strategy of Latvia until 2030 (Latvija 2030). The strategy is aimed at outlining guidelines for the national development and spatial perspective for the period until 2030 (Sustainable Development Strategy of Latvia until 2030, n.d.). The main settings of the strategy are a happy man in a prosperous country, sustainable and healthy lifestyle, creative, indulgent and tolerant society, competitiveness generated in a cooperation and the country as a responsive partner (Latvija 2030, n.d.).

In order to achieve the aspirations raised in "Latvija 2030", seven priority axes were defined: investments in human capital, change of a paradigm for education, the innovative and eco-efficient economy, nature as future capital, perspective of spatial development, innovative government and participation of society. For each of these axes there were set goals, analysed trends and challenges, as well as priority actions and possible solutions defined. The authors conclude that the strategy covers all three dimensions of sustainable development – environment, society and the economy. Also, it complies with the principles of integrated development.

Already in the first part of the research, the authors found that the mankind's desire to develop and live better at the same time has caused a number of challenges and problems. However, these problems directly and indirectly affect both the environment and society, as well as the economy in general. "Latvija 2030" is the answer to what the state wants to do so that to react and respond to these challenges.

The need for such a strategy in Latvia can be found in examples of the above mentioned dimensions of sustainability. Since we live in the global integrated world, where actions or passiveness of one country or

region, at a greater or lesser extent, affects the entire system, Latvian examples can reveal the problems related to the lack of non-compliance with the principles of sustainable development.

The healthy, economically stable and socially cohesive society, living in the clean and safe environment, is the foundation of a sustainable country. Man is the greatest asset in each country and at the same time the biggest threat. The economy of each country basically is built on a stable middle class, which is the main labour force and the consumer of products and services. Unfortunately, having analysed the population structure in most of the European countries, including Latvia, a disturbing picture was revealed based on various criteria.

The data of the Latvian Central Statistical Bureau shows the number of permanent citizens and the age structure in Latvia at the beginning of the year (by 5-year age groups), during 2010–2016. It can be seen that the number of permanent citizens in Latvia has dropped from about 2.12 million in 2010 to 1.97 million at the beginning of 2016, while the number of people aged 70 years and more has increased from about 270 thousand in 2010 to 279 thousand at the beginning of 2016. This is a dangerous trend, because the number of young people and people in working age decreases each year. The population is aging and there is no natural regeneration that can result in a situation when people in working age, who work and pay taxes, are unable to maintain the part of society which is already aged, and also other part who is still growing to become an economic driving force.

This also proves the data of the Latvian Central Statistical Bureau (CSB). Since 2010, the number of citizens in working age has dropped from 64.7% to 61.5% at the beginning of 2016, but the number of citizens above working age has increased from 21.1% in 2010 to 23.2% at the beginning of 2016. At the same time, the number of citizens below working age has also increased from 14.2% in 2010 to 15.3% in 2016, but this rate of growth, although positive, is not sufficient to compensate the growth of the number of citizens in the above working age.

Referring to the above mentioned statement that a sustainably developed country is based on a stable middle class, one should take into account what is the distribution of the earned income of people. The authors would like to note that with the Latvia's accession to the Eurozone in 2014, the data collected by the Central Statistical Bureau also has changed, therefore, the information was selected referring to the latest data, where the earned income is calculated in euros.

The data of the Latvian Central Statistical Bureau shows that at the beginning of the reporting period in 2012 more than half, or about 53% of citizens in Latvia, received a salary below 500 euros/month. From the sustainability point of view, referring to a strong middle class with stable income for their basic needs, it does not cause great hope, though this trend of 'unpromising hope' has a tendency to decrease and it is positive. However, the situation itself is not as positive as it may seem, because the earned income includes all gross income from employment on which the personal income tax is imposed (Informative review of the CSB about employees by earned income in 2015).

The data in Figure 6 shows that citizens' income is increasing, and according to the calculations of the CSB, the amount of disposable income has increased resulting in the rise of the threshold of the poverty risk, which in 2015 was 318 euros per month, as set by the Central Statistical Bureau. Therefore, according to the CSB data, in 2015, 21.8% of Latvian residents were exposed to the risk of poverty with disposable (net) income below 318 euros per month. Also, the Gini coefficient, which characterises income inequality, in Latvia has not changed significantly from 35.1% between 2010 and 2015, being respectively 34.5%, while the EU average in 2015 was about 31% (Eurostat, 2017).

Thinking of sustainable development from the perspective of the economically stable and prosperous society, Latvia still has a long way to go, which proves the above mentioned data. The reasons of such a situation lie at the systemic level of public administration, tax planning, public policy and legislation.

The problems that have affected the Latvian tax policy and tax collection have been noted by Uldis Rut-kaste, the Head of the Monetary Policy Department at the Bank of Latvia, emphasizing that though in Latvia the collection rate is among the lowest in the EU, the tax burden on honest taxpayers in Latvia is high. The expert also points out that, despite the high tax burden in Latvia, the amount of collected taxes against the gross domestic product is low because of the high degree of 'shadow economy' (Latvijās Avīze, 2016).

Table 2. Shadow Economy Index for the Baltic Countries 2009–2015

| Year | Estonia | Latvia | Lithuania |
|-----------|---------|--------|-----------|
| 2010 | 19.4% | 38.1% | 18.8% |
| 2011 | 18.9% | 30.2% | 17.1% |
| 2012 | 19.2% | 21.1% | 18.2% |
| 2013 | 15.7% | 23.8% | 15.3% |
| 2014 | 13.2% | 23.5% | 12.5% |
| 2015 | 14.9% | 21.3% | 15.0% |
| 2015–2014 | 1.7% | -2.2% | 2.5% |

Source: T. J. Putninš, A. Sauka (2016); Shadow Economy Index for the Baltic Countries 2009–2015.

According to the data of the Shadow Economy Index for the Baltic Countries, compiled by the School of Economics in Riga (SSE Riga), in 2015 Latvia achieved progress in fighting 'shadow economy', however, it still falls short of the two Baltic neighbours. As data in Table 2 shows, the share of 'shadow economy' in the overall economy, constituted 21.3% of GDP in 2015, while in neighbouring countries it was about 15% of GDP.

Considering sustainable development which could also contribute to economic growth, including welfare of people, the authors agree with U. Rutkaste that transparency and stability of the tax system should be improved because regular changes in tax laws make it difficult to plan business. Similarly, further work is needed to fight the shadow economy and improve tax collection, yet the existing budget resources should be also used better (Latvijās Avīze, 2016).

As the authors have already concluded, sustainable development is not merely limited to providing economic benefits. Society should also have a safe and clean environment for living. However, this issue is directly related to the amount of waste generated by people and recycling of waste.

The trends of waste management in Latvia are reflected in Figure 1. It shows that between the year 2010 and 2015, the amount of waste generated by the Latvian population in tons increased from 1.1 million to 1.9 million tons. Recalling that in the same period the population in Latvia decreased from 2.12 million in 2010 to 1.99 million in 2015, this trend from the point of view of sustainability is not something positive, as less people have almost doubled the amount of waste generated. At the same time, in the context of the EU, this amount in Latvia (433kg per capita) is below the EU average (477kg per capita).

With regard to the waste management in Latvia, there are also some positive trends. For instance, in a 6-year period, there increased not only the amount of waste collected, but also the amount of waste recycled which nearly quadrupled since 2010, and in 2015 exceeded even the amount of waste generated and collected, reaching around 2.2 million tons.

Waste management in Latvia is regulated by the Waste Management Law, which prescribes the procedures for waste management in order to protect the environment, human life and health. The law prevents the generation from waste, ensuring separate collection and regeneration of waste in the territory of Latvia, as well as facilitates the efficient use of natural resources by reducing the amount of waste to be disposed of (Waste Management Law, 2010). At the same time, the Law on Pollution is also binding as its purpose is to prevent or reduce harm caused to human health, property or the environment due to pollution; also, to eliminate, or if it is impossible, to reduce the amount of generated waste, or to set other goals related to the prevention of pollution (Law on Pollution, 2001).

At the same time, the Law on Local Government stipulates that one of the functions of local government is to manage the municipal waste and to control collection and removal of waste (Law on Local Government, 1994). Thus, producers of waste, including both individuals and legal persons, whose activities generate waste, are obliged to participate in the household waste management organised by local government. They

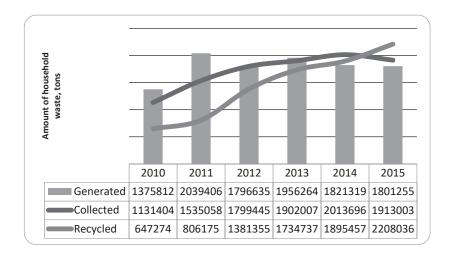


Fig. 1. The amount of household waste in tones, collection and recycling in Latvia, 2010–2015 Source: composed by the authors, based on the data of the Central Statistical Bureau of Latvia.

also have to follow the binding regulations issued by local government and contracts concluded on the collection, transportation, handling and storage of household waste (Waste Management Law, 2010).

So it is clear that the waste producer is responsible for the waste disposal. Since the amount of generated waste has a direct impact on the costs associated with the collection, storage and processing of waste, so the company seeking to optimise its cost structure should also reduce the amount of waste produced. According to the authors, one of the actions would be to forecast more precisely changes in demand and to respond more effectively to the changes that retail chain stores can achieve by using electronic recording systems, what in most cases they already do.

In addition, contracts with suppliers, retail stores may also include a point that part of the remaining products that have passed their shelf life is returned to the manufacturer. For example, a store of a retail chain agrees with a vegetable supplier/manufacturer that it will collect part of the unsold and unsuitable for sale vegetables to recycle. All involved parties benefit from this agreement, because the trader reduces the accumulated amount of waste and, therefore, related costs, but the vegetable producer can use unsold vegetables as compost for the cultivation of new crop.

The authors believe that retailers can make another step forward and promote production of environmentally friendly packaging through changes in national legislation. Latvia has the Packaging Law, which aims to ensure development of packaging production, introduction of advanced packing technologies and establishment of a rational packaging waste management system in the state, thereby reducing the undesirable impact of packaging waste on the environment (Packaging Law, 2001).

4. Role and potential of marketing in sustainability promotion implemented by Latvian food retail chains

A company can be a catalyst for positive changes, because it is often the traders who determine what to buy and what to sell. As a result, producers will be forced to comply with the law on the production of environmentally friendly packaging when packing their products. Also, in respect of the buyer, the trader or a store of a retail chain, has tools, or an integrated marketing communications approach, to influence the consumer on a buying decision. For example, different campaigns and a coordinated strategy of educational advertisements may ensure buyers to choose the products packed in the environmentally friendly packaging.

The authors believe that these are only some of the problems and conceptual solutions in the context of sustainable development, seeking to address the impact on the environment caused by people due to the generated waste. Moreover, from the perspective of public health and economic benefit for Latvia, the question of availability of Latvian products on the shelves of stores should be considered.

The CSB does not collect information about Latvian products in retail chain stores. Therefore, based on the study and polls performed by Lursoft in 2014 in the largest retail chains in Latvia, it was concluded that people in Latvia prefer Latvian products, because local manufacturers know better what local people want and what are their taste peculiarities. Also, the surveyed representatives of store chains claim that they try to include Latvian products in the assortment as much as possible, as well as they try to reduce prices by creating and developing their private brands (Lazdiṇa, Skreija, 2014).

Having analysed the example of the store chain 'TOP', it was found that approximately 2/3 of the store chain turnover is made of Latvian goods, however, the difference between commodity groups is big. In such product categories as dairy products, meat products, bread and bakery products, more than 90% of turnover is made of Latvian products. Yet, not all commodity groups, such as popular soft drinks, have Latvian products included, so they are replaced by imported products (Lazdina, Skreija, 2014).

Another important aspect is the climate in Latvia and its characteristics, which determine that vegetables, fruits and berries grown in Latvia are highly seasonal. For example, in summer, when the harvest is at its full maturity and fresh fruit and vegetables grown in Latvia are available at affordable prices everywhere. However, in the winter season, the offer is much more limited and the prices of Latvian products are comparable even to exclusive goods. Not only the buyer suffers from the seasonal availability of the Latvian products, but also the Latvian economy in general, because the money generated and earned in Latvia goes to the pockets of the producers of imported goods.

In order to fill the niche of both food and non-food products, which Latvian manufacturers are unable to produce, the traders import goods from Poland, China and other places thus seeking to meet the needs of the low-income citizens, who constitute a significant part of Latvian consumers. Yet a lower price per unit of imported goods can be achieved at the expense of volume, but in the end, the reduction of production costs also reduces the quality of a product, therefore, an ultimate loser often is the consumer.

At this point, according to the authors, the issue of product labelling becomes important. Regarding the product labelling in the RoL, it is regulated by the Consumer Rights Protection Law and related regulations of the Cabinet of Ministers. The regulations depend on the type and classification of a product, whereas monitoring and control of this compliance is performed by the Food and Veterinary Service.

From the consumer's point of view, information on the product label is crucial and important in respect of both health and origin of a product. In practice, the authors have also observed that the EU is often indicated as the country of origin, which does not provide specific information to the consumer about where the product is produced or grown. Even more worrying picture appears when looking in detail at the product composition, which sometimes is incomplete or described in words that an average consumer does not understand.

Referring to the above mentioned problem about the amount of waste generated by retail stores due to unsold products, it would be a logical step for traders to sell products with longer shelf life. However, it often means that a product contains a number of artificial additives, which prolong expiry date, and such products in a long term also have a negative impact on human health.

The authors of this paper also advise to put special emphasis on genetically modified organisms (GMO) and their inclusion into the composition of products. Since 2007, the use of GMO in Latvia is regulated by the Law on Circulation of Genetically Modified Organisms, which aims to achieve high level of safety in all stages of circulation of genetically modified organisms. This law seeks to prevent the negative impact on human and animal health or the environment, to preserve biological diversity, to promote the development of sustainable agriculture and biotechnology, as well as to simultaneously support the co-existence of genetically modified crops with organic and conventional farming (Law on Circulation of Genetically Modified Organisms, 2007).

In the world, GMO were created because natural crops were no longer able to adapt to changing environmental conditions in different parts of the globe. So, by changing DNA of plants, they became resistant to diseases and able to provide harvest. Until now, research on the effect of GMO on human and animal health is ambiguous, i.e., it is neither clearly confirmed nor denied that the consumption of GMO could lead to diseases, allergies or mutations in the long term. However, the authors are sure that on the label and packaging of a product there should be clearly indicated if it contains GMO, so that the buyer is informed and can take a proper purchase decision or choose another product.

Although, recently, *green thinking* is popular, the authors assume that education of people should continue thus improving people's competence about the product composition, origin and effects on health. Often, when buying popular cheap products which are not of superior quality, consumers do not suspect that by saving cents they actually cause harm to their health. From the perspective of sustainability, saving, for example, on food may influence health care, and this proves the principle that 'stingy pays twice'.

Returning to the proportion of the Latvian products on store shelves, a survey conducted in the Baltic States by the Latvian Federation of Food Enterprises (LPUF) in the second half of 2016 shows that only a few cents difference in price could make Latvian citizens choose imported goods. In such cases, only 45% of people would undoubtedly choose Latvian products paying a higher price. The price is the most important factor for 45–54-year-old people and people with 500–700 euro income. In turn, local products are more often regularly bought by middle-aged and older people (Sākas kampaṇa "Karotīte vieno! Izvēlies vietējos produktus!", n.d.).

The Chairman of the Council of the Latvian Federation of Food Enterprises (LPUF) Ināra Šure also admits that, based on the survey data, Latvian consumers themselves need to support local food producers. This is important for to redistribute domestic consumption in favour of good quality of the Latvian food products. Also, from the sustainability point of view, even though the product is slightly more expensive, it supports the local economy and society who gets the quality product made from local raw materials (Sākas kampaṇa "Karotīte vieno! Izvēlies vietējos produktus!", n.d.).

The Minister for Agriculture Jānis Dūklavs, has also expressed a commitment to promote Latvian products emphasising that it can be achieved if producers, traders and buyers are united. Meanwhile, he has also pointed out that the Ministry of Agriculture has launched active negotiations with traders who have shown appreciation (Sākas kampaṇa "Karotīte vieno! Izvēlies vietējos produktus!", n.d.). This was also proved by negotiations between the retail chain 'MAXIMA' and representatives of the Agricultural Organization Cooperation Council (LOSP), Central Union of Latvian Milk Manufacturers (LPCS), and the Latvian Federation of Food Enterprises (LPUF), as well as the management of the Ministry of Agriculture. These negotiations led to the following commitments undertaken by 'MAXIMA' (Garkalne, 2016):

- 1. In November 2016, to ensure at least a 20% increase in sales of milk produced in Latvia, reaching more than 80% of the share of Latvian products in the chain stores;
- 2. To continue mutual cooperation regarding the advertising of Latvian products (in advertising newspapers of 'MAXIMA', as well as supporting promotion of local products through various advertisements);
- 3. To continue positioning of individual Latvian product stands, where dairy products could be an object of a pilot project.

In addition, we would like to emphasize that sales of local products can be promoted also by reducing VAT on food. It would allow stimulating the economy, boost consumer purchasing power and make Latvian producers more competitive both domestically and in the EU context. In turn, wholesalers could promote sustainable development of the local economy and society, by organising a so-called 'sticker collection', alongside the already implemented campaigns such as "Karotīte vieno! Izvēlies vietējos produktus!" (Spoon Unites! Choose local products!). It would provide an opportunity to get a discount for a bigger purchase if chosen products were produced and grown in Latvia.

As far as the tourism policy is concerned, so, it can also promote sales of Latvian products by organising gastronomic trips or tours. Currently, the Riga Central Market is one of the top tourist attractions in Riga, where it is possible to find and taste products produced and grown in Latvia all year round. Yet the idea of visiting small fairs, which often bring together a variety of local handicraftsmen offering very interesting

Latvian products, could be developed. Kalnciema Quarter Market could serve as the best known example. However, it is also important to shift the flow of tourists to regions, where there is plenty of local markets, as well as a number of farms and organic farms with a wide range of products grown in Latvia.

Obviously, in each sector there are specific features of products' sale and provision of services. Besides, there are also common market trends related to integrated social, ecological and economic development. Therefore, the authors have initiated extensive research to assess the trends of sustainable development of the Latvian food retail chains, so that to promote the use of sustainable integrated marketing communications in business. Business improvements in terms of compliance with the sustainable marketing concept is associated not only with such marketing tools as product offer, product quality, packaging or packaging design. It also concerns product distribution and promotion in the market, thereby contributing to the formation of public attitude towards the following issues: the importance of preserving the environment, raising awareness of consumers about healthy products, improving corporate social responsibility regarding consumers' health, ecological products and the green economy, as well as contribution of the green economy to development of the national economy in general.

Conclusions

Sustainable development is the integrated and balanced development of society, welfare, the environment and the economy that meets physiological, social, and other needs of the population and ensures preservation of environmental and ecological diversity, thus maintaining the ability for future generations to meet their needs too. The role of corporate marketing has a positive influence on promotion of sustainability, as marketing communication tools may help forming the public attitude towards environmental conservation, including waste disposal and recycling. These tools may help to enhance the consumer awareness of healthy products in environment-friendly packaging, as well as the development of social responsibility for environmental conservation overall. Today's society is interested in environmental conservation, promotion of healthy lifestyle and other public welfare matters. Therefore, companies should offer products on the market through sustainable marketing practices with due regard to preservation of natural resources for future generations. However, being socially responsible in their operations and using marketing communications, companies should also focus on education of their consumers about environmental characteristics and environmental impact of products on health, i.e. product composition, purchase possibilities, storage, usage and disposal. Also, great emphasis should be put on the Latvian production supporting the domestic market and facilitating the overall development of the Latvia's national economy.

A successful precondition for sustainability should be reflected not only in activities, cooperation and desire of the institutions to protect the environment and natural resources, but they also must meet economic needs and cultivate economic opportunities. Simultaneously, there should be met social needs, cultivating equal relationships among different social groups. Profit should not be the leading-motive for company's activities. Using marketing communications, they can educate their consumers about ecological characteristics of products and their environmental impact on the public health, i.e., composition of products, acquisition, storage, use and disposal possibilities, also putting great emphasis on the Latvian products. Thus, companies can support the domestic market and promote sustainable development of the Latvian economy in general.

The waste producer is responsible for the waste disposal. Since the amount of waste generated has a direct impact on the costs associated with the collection, storage and processing of waste, a company seeking to optimise its cost structure, should also reduce the amount of waste produced. With the help of electronic recording systems, it is possible to forecast more precisely not only changes in demand, but also costs related to the waste recycling and storage.

If retail stores, when concluding contracts with suppliers, agreed that the remaining products that have passed their shelf life must be returned to the manufacturer, all involved parties would benefit from the clean environment and the protected public health. In this case, the trader would reduce the accumulated amount of waste and also the related costs. Yet, the vegetable producer can use unsold vegetables as compost for cultivation of new crop.

Public institutions may promote the production of environmentally friendly packaging through changes in the national legislation. It is possible to reduce the amount of used packaging and undesirable impact on the environment by ensuring development of packaging production, implementation of advanced packing technologies and the establishment of a rational packaging waste management system in the state.

Public institutions may promote development of the food industry, availability of ecological products on store shelves and to consumers. It can be realised by improving the tax system and reducing tax rates on the food produced in Latvia, thus facilitating development of the national economy.

Companies can be as a catalyst for positive changes, because it is often the traders who determine what to offer to buyers. Not only producers would be forced to comply with the law on the production of environmentally friendly packaging, but also the products with such packaging would become available for consumers in stores. By using integrating marketing communications as a tool, the trader or a store can influence the consumer's buying decision.

Therefore, companies applying integrated marketing communications cannot only have impact on society, they should also educate it. Using consumer communication to promote sales of products, and a tool such as campaigns or coordinated strategy of educational advertisements, it is possible to achieve that buyers choose not only ecological products, but also the ones packed in the environmentally friendly packaging. Thus, it may be helpful in raising the competence of people about the product composition, origin, effects on health, harm caused to the environment, namely, by waste, waste disposal, recycling, and etc.

References

Andersone, I., Gaile-Sarkane, E., Aramina, D. (2010). Socially Responsible Marketing: Theory and Praxis. *Scientific Journal of Riga Technical University*, Vol. 20, p. 11.

Brassington, F., Pettitt, S. (2006). Principles of Marketing (4th ed.). Essex: Pearson Education Limited.

Central Statistical Bureau of Latvia (2015). *Informative Review of the CSB about Employees by Earned Income in 2015*. Available at: www.csb.gov.lv.

Central Statistical Bureau of Latvia (2017). *Nabadzības riskam Latvijā pakļauti 424 tūkstoši jeb 21,8 % iedzīvotāju*. Available at: http://www.csb.gov.lv/notikumi/nabadzibas-riskam-latvija-paklauti-424-tukstosi-jeb-218-iedzivota-ju-45823.html.

Cross-sectoral Coordination Centre (n.d.). *Latvian National Development Plan 2014–2020*. Available at: http://www.varam.gov.lv/lat/pol/ppd/ilgtsp_att/?doc=13858.

Daugavietis, J. (2015). Jēdziens "ilgtspējība" Latvijas Republikas attīstības un kultūras politikas pamatdokumentos. *73rd conference of the University of Latvia: Sociology, "Sustainable development in Latvia and sociology"*. Available at: http://www.szf.lu.lv/fileadmin/user_upload/szf_faili/Petnieciba/Jedziens_ilgtspejiba_LU_73.konf._J_Daugavietis 13 02 2015.pdf.

Dimante, Dž. (2010). Sustainability Analysis of Development Scenarios. *Latvijas Universitātes raksti*, Vol. 758, p. 364. Eurostat (n.d.). *Municipal Waste Generation and Treatment, kg per capita*. Available at: http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tsdpc240&plugin=1.

Eurostat (2017). *Gini Coefficient of Equivalised Disposable Income*. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc di12.

Garkalne (2016). Vairāk Latvijas produktu MAXIMA veikalu tīklā. Available at: http://www.losp.lv/node/4137.

Jim Yong Kim (2012). New Report Examines Risks of 4 Degree Hotter World by End of Century. Available at: http://www.worldbank.org/en/news/press-release/2012/11/18/new-report-examines-risks-of-degree-hotter-world-by-end-of-century.

Latvija 2030 (n.d.). Available at: http://www.pkc.gov.lv/nap2020/latvija2030

Latvijas Avīze (2016). *Latvijā ir augsts nodokļu slogs*. Available at: http://www.la.lv/latvija-ir-augsts-nodoklu-slogs/. *Law on Circulation of Genetically Modified Organisms* (2007). Available at: http://likumi.lv/ta/id/167400-genetiski-modificeto-organismu-aprites-likums.

Law on Local Governments (1994). Available at: http://likumi.lv/doc.php?id=57255.

Law on Pollution (2001). Available at: http://likumi.lv/ta/id/6075-par-piesarnojumu.

Lazdiņa, I., Skreija Lursoft, D. (2014). *Vietējie pārtikas tirgotāji sasparojas*. Available at: http://www.la.lv/vietejie-partikas-tirgotaji-sasparojas/.

Martin, D., Schouten, J. (2012). Marketing in the Twenty-First Century. USA: Pearson Prentice Hall.

Meyer, C., Kirby, J. (2014). Income Inequality is a Sustainable Issue. *Harward Business Review*. Available at: https://hbr.org/2014/01/income-inequality-is-a-sustainability-issue-2.

Mohammed, A. (2014). Deepening Income Inequality. *Outlook of the Global Agenda 2015*. Available at: http://reports.weforum.org/outlook-global-agenda-2015/top-10-trends-of-2015/1-deepening-income-inequality/.

National Snow and Ice Data Center (NSIDC) (n.d.). Arctic Sea Ice. Available at: http://climate.nasa.gov/vital-signs/arctic-sea-ice/.

National Snow and Ice Data Center (NSIDC) (n.d.). *Global Temperature*. Available at: http://climate.nasa.gov/vital-signs/global-temperature/.

National Snow and Ice Data Center (NSIDC) (n.d.). *Quick Facts on Arctic Sea Ice*. Available at: https://nsidc.org/cryo-sphere/quickfacts/seaice.html.

OECD (2014). Focus on Inequality and Growth-December 2014. Available at: http://www.oecd.org/els/soc/Focus-Inequality-and-Growth-2014.pdf.

Packaging Law (2001). Available at: http://likumi.lv/ta/id/57207-iepakojuma-likums.

Par klimata izmaiņām (n.d.). Available at: http://www.lzj.lv/lv/par-klimata-izmainam.

Par mums (n.d.). Available at: http://www.lzj.lv/lv/par-mums.

Praude, V., Bormane, S. (2013). Sustainable Marketing – Prospects and Challenges under Present Economy. *Regional Formation and Development Studies*, No. 3(11), Klaipėda University, p. 165–176.

Putniņš, T. J., Sauka, A. (2016). *Shadow Economy Index for the Baltic Countries 2009–2015*. Available at: http://www.sseriga.edu/en/news-and-events/upcoming-events/enuekonomikaskonference2016.html.

Sākas kampaņa "Karotīte vieno! Izvēlies vietējos produktus!" (n.d.). Available at: http://www.lpuf.lv/lv/sakas-kampa-na-karotite-vieno-izvelies-vietejos-produktus.

Central Statistical Bureau of Latvia (2017). Available at: www.csb.gov.lv.

Sustainable Development Strategy of Latvia until 2030 (n.d.). Available at: http://www.pkc.gov.lv/images/LV2030/Latvija_2030.pdf.

Thiele, L. P. (2013). Sustainability. UK: Polity Press.

Todaro, M. P. (1997). Economic Development (6th edition). UK: Addison Wesley Longman Limited.

Vilciņa, V. (2010). Atkritumi – to ietekme uz vidi un cilvēku veselību. Atkritumu apsaimniekošanas sistēmas attīstība Latvijā. Available at: http://www.zalajosta.lv/sites/default/files/files/Vide_1.pdf

Waste Management Law (2010). Available at: http://likumi.lv/ta/id/221378-atkritumu-apsaimniekosanas-likums.

TVARUMAS – EKONOMINIAI, APLINKOSAUGOS IR VISUOMENINIAI KLAUSIMAI, PREKYBOS GALIMYBĖS

Santa Bormane, Daina Škiltere, Anda Batraga Latvijos universitetas (Latvija)

Santrauka

Tyrimo tikslas – peržiūrėti verslo rinkodaros vaidmenį skatinant tvarumą, atsižvelgiant į dabartinių ekonominės, ekologinės, socialinės atsakomybės ir viešųjų klausimų, susijusių su tvarumu, vertinimą. Atliekant tyrimą taikyti šie moksliniai tyrimo metodai: analitinis, lyginamasis, grafinis, statistinis ir stebėjimo. Autorės studijavo ekonomines, aplinkosaugos ir socialines tvarumo problemas pasaulyje bei Latvijoje, jų įtaką visuomenės gerovei. Jos pasirinko Latvijos maisto produktų mažmeninės prekybos industriją, kuri užima didelę prekybos sektoriaus, kaip mokslinių tyrimų sektorių, dalį. Įmonės, prisiimdamos socialinę atsakomybę, savo veikloje per rinkodaros komunikaciją turėtų sutelkti dėmesį į vartotojų švietimą apie produktų ekologines savybes, poveikį aplinkai ir visuomenės sveikatai: jų sudėtį, įsigijimą, saugojimą, naudojimą ir šalinimo galimybes, daug dėmesio skiriant Latvijos produktams, taip remiant vidaus rinką bei apskritai skatinant tvarią Latvijos ekonomikos plėtrą.

Įmonės gali būti teigiamų pokyčių katalizatorius, nes dažnai prekybininkai nusprendžia, ką pasiūlyti pirkėjams. Taip ne tik gamintojai būtų priversti, pakuodami maisto produktus, laikytis ekologiškų pakuočių

gamybos įstatymo, bet šie produktai būtų ir parduotuvių lentynose. Pirkėjo atžvilgiu prekybininkas arba mažmeninės prekybos tinklo parduotuvė, rinkodaros ryšių integravimą taikanti kaip priemonę, gali turėti įtakos vartotojo priimamam pirkimo sprendimui.

Įmonės, taikančios integruotą rinkodaros komunikaciją, gali ne tik veikti visuomenę, bet ir ją šviesti. Bendraudama su vartotoju, pasitelkusi priemones, skirtas skatinti produktų pardavimą, organizuodama įvairias kampanijas ir diegdama suderintą edukacinių reklamų strategiją, įmonė gali pasiekti, kad pirkėjai rinktųsi ne tik ekologiškus produktus, bet ir aplinką tausojančią pakuotę, taip didindama žmonių supratimą apie produkto sudėtį, kilmę, poveikį sveikatai, atliekų aplinkai daromą žalą, jų šalinimą, perdirbimą ir kita.

PAGRINDINIAI ŽODŽIAI: tvarumas, tvarus vystymasis, tvari rinkodara, integruotos rinkodaros komunikacijos, siekiant tvarumo.

JEL KLASIFIKACIJA: M310