CFR Course Note #001[1]: Retailing and Sustainability
Introduction to Retailing (NDH101), 2026

Sara Rosengren, Lin Lerpold, and Maja Fors

Global consumption and production are important in meeting societal sustainability challenges of tomorrow. Retail plays a central role in this development as it functions as an intermediary between supply-side production and demand-side consumption. The retail sectors' environmental and social impact thus spans over a wide range of activities, not only their own actions, but also to those of its suppliers and consumers.

Today, sustainability is high on the agenda for most retailers. According to a 2025 report by the Swedish Retail Federation, 61% of Swedish retail and wholesale companies work actively with sustainability. What is more, new regulations and reporting requirements related to sustainability are increasingly being implemented, for example by the European Union (EU), suggesting that retailers will need to work more with these issues in the future.

In this course note, we briefly introduce the concept of sustainable development before moving on to discuss its implications for retail more specifically. The note is meant as an introduction to the field and readers are provided with links and references to guide their future exploration into the topic

What is sustainable development?

If you look up the term sustainability in a dictionary you will find that it refers to the quality of being able to continue over a period of time. The most commonly accepted definition for sustainable development was agreed upon in 1987 and defined in the UN Bruntland Report "Our Common Future" as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

This definition clearly outlines the *intergenerational* aspect of sustainability, meaning that what is done today will determine what can be done later. In addition, the notion of needs is broad, allowing for a *multidimensional* view of development, emphasizing how social, environmental, and economic sustainability are interlinked. Social sustainability typically refers to people's well-being, equality, health, safety, and human rights. Environmental sustainability typically refers to protecting natural resources and ecosystems. Economic sustainability typically refers to managing resources and finances in a way that supports long-term economic growth. This multidimensional perspective has been put forward in numerous variations, including economy, ecology and equity ("3 E's´), profits, planet and people ("3Ps"), ESG (environmental, social, governance), and the corporate triple bottom line ("TBL").

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Engaging in one type of sustainability often comes with benefits and drawbacks for different actors ("stakeholders") in society. This highlights that a *stakeholder* perspective, taking various actors and their perspectives into account, is needed for sustainable development.

In 2015 the UN agreed upon a set of goals and targets for sustainable development in "The 2030 Agenda for Sustainable Development" following on the Millenium Development Goals (2000-2014). This agenda includes 17 Sustainable Development Goals (SDGs), along with 169 targets meant to stimulate action in areas of critical importance for humanity and the planet by 2030. The SDGs were intended to be integrated and indivisible and able to balance the different dimensions of sustainable development with the assumption that economic growth, and social (human capital) and environmental (natural capital) development are complementary, though not interchangeable.

The 2030 Agenda and its SDGs serve as a blueprint to achieve a better and more sustainable future for all and is commonly used to guide sustainability work. The goals address global challenges faced by contemporary society related to peace and prosperity for people and the planet (Mende et al. 2024). The agenda also highlights that all these goals are interrelated and that partnerships between the public and private sector, investors and consumers are needed to meet the goals.

What is corporate sustainability and responsibility?

In a business context, sustainability is often used to denote a company's ability to continue operations in relation to the overall environment and society at large. In fact, sustainability is defined by the EU as "the responsibility of companies for their impact on society at large". This includes responsibility for products and services, but also working conditions, human rights, and impact on health and the environment. Importantly, a stakeholder rather than shareholder perspective is assumed.

A company's sustainability work is often referred to as Corporate Social Responsibility (CSR), Sustainable Business, or Environmental, Social, and Governance work (ESG) but there are many different terms being used (see Appendix 1 for a brief overview of sustainability terminology). CSR can be defined as "the integration of an enterprise's social, environmental, ethical and philanthropic responsibilities towards society into its operations, processes and core business strategy in cooperation with relevant stakeholders" (Rasche et al. 2017, p. 6). As highlighted by this definition, CSR is often focused on ethicality and responsibility, beyond minimum legal requirements. ESG is typically used in financial and accounting contexts whereas Sustainable Business typically refers to opportunities for private enterprises to simultaneously solve and profit from contemporary sustainability challenges.

Corporate social sustainability thus covers a range of different activities that can be beneficial to different stakeholders in society both from a social and environmental perspective. The extent and focus of sustainability activities that companies engage in thus vary. The literature has identified three types of CSR engagement (Nickerson et al. 2022). *Corrective* CSR refers to correcting for the potential negative societal or environmental impact of business operations by making changes to those operations. For example, a bottled water manufacturer may reduce the amount of plastic used in its bottles. *Compensating* CSR refers to compensating for the negative impact of business operations without making changes to those operations. For example, a bottled water manufacturer may invest recourses into a plastic recycling program. *Cultivating* CSR refers to cultivating goodwill through acts that are not directly

related to any negative impact of business operations. For example, a bottled water manufacturer may donate money to children literacy programs.
Corporate Social Irresponsibility (CSI) is a related concept that refers to irresponsible corporate practices that can harm consumers, employees, the environment, or society in general. These practices might include violating social norms and rules (e.g., tax avoidance, bribery), violating human rights or employment conditions (e.g., child labor, long working hours), and polluting the environment (e.g., oil spill) (Kim et al. 2025).

When a company's sustainability engagement is misaligned with external communication about sustainability engagement, this is often referred to as "washing". The most commonly discussed form is greenwashing, where a company presents itself as being more environmentally responsible than it actually is (Ginder et al 2021). "Bluewashing" (referring to human rights and the UN flag), "pinkwashing" (referring to HBTQi) and "sportswashing" (referring to the hosting or sponsoring of sports events or buying of sports teams) have also become easily understood.

What is sustainability in retailing?

Retailing functions as an intermediary between supply-side production and demand-side consumption. Consequently, the retail sectors' environmental and social impact spans over a wide range of activities, not only (a) their own direct actions and impacts, but also (b) contracts and partnerships with suppliers and (c) interactions and behaviors of consumers.

To fully understand the sustainability impact of retailers, one must adopt a life-cycle perspective to all the products and services they offer. This means that companies need to consider all activities related to the sourcing of materials, production of various components, transportation across the whole value chain as well as the activities related to consumption and disposal of the products being used. When it comes to climate impact, a distinction is often made between Greenhouse Gas Protocol's Scope 1 emissions, that are under direct control of the company, Scope 2 emissions, that are indirect emissions from the company's energy usage, and Scope 3 emissions that are all the indirect emissions that occur along the value chain. Thus, retailers focus increasingly beyond their own direct impacts and on to sustainability impacts occurring among their suppliers and customers.

Among UN's Sustainable Development Goals, SDG 12 Responsible Consumption and Production stands out as one of the most central to retailers, but several SDGs are important and their relevance varies across retail sectors. Sustainable consumption and production aim at "doing more and better with less". To achieve this goal, every stakeholder along the value chain needs to be involved, from raw materials suppliers to producers and retailers to final consumers. New regulations and reporting requirements related to sustainability suggests that retailers will need to work more with sustainability in the future (see Appendix 2 for examples of EU legislations and directives relevant to retailers resulting from the European Green Deal).

Why sustainability in retailing?

Sustainability is often stated as a key imperative for retail in the future. Reviewing the literature, Vadakkepatt et al. (2021) identify five key advantages for retail companies investing in sustainability:

1. Demand advantages: Sustainability investments may help differentiate the brand from competitors potentially creating positive demand-side effects (e.g., being able to charge more for sustainable products and/or attracting certain customer groups).
2. Cost advantages: Sustainability investments may help reduce costs as many investments in sustainability are guided by a focus on cost-savings and resource efficiencies and thus can have immediate effects on the cost structure of retail operations.
3. Risk advantages: Sustainability investments may be needed to fulfil contemporary and future regulations. Thus, there are business risk mitigation benefits to be gained from sustainability investments.
4. Financial advantages: Sustainability investments may help attract capital as investors and banks are using sustainability dimensions in their analyses.
5. Stakeholder advantages: Sustainability investments may help attract employees and partners and build trust within different actor groups of importance to the company.

How are retailers working with sustainability?

How retailers work with sustainability varies across different retail sectors. One focus of sustainability work is managing the impact of own operations (e.g., stores, head office, warehouses). The type of activities focus vary, but energy management, CO2 reductions, waste management, and water conservation efforts are common for environmental impact. For social impact, sustainability efforts tend to involve both internal and supply chain working conditions and processes, along with engagement with social issues surrounding the product and company.

As highlighted, much of retail's environmental and social impacts come from production and consumption rather than own operations, though interactions with suppliers and customers are also important (see Figure 1).

Figure 1. Sustainability initiatives that link production and consumption

- Standards, norms, guidelines
- Knowledge & information sharing
- Investments and partnerships

- Assortment
- Sustainable aids
- Post-purchase and circular offers

Adapted from Bergman et al 2022

Vadakkepatt et al (2021) identify three ways for how retailers can influence the supply side with regards to sustainability. First, retailers can work with suppliers to enable more sustainable production using standards, norms, and guidelines. Second, retailers can partner with suppliers to ensure knowledge and information sharing related to sustainability. Third, retailers can enable/support investments in sustainability across their supply chains. All these initiatives thus build on collaborating with suppliers on sustainability issues. Often, they are also performed in collaboration with stakeholders such as non-profit organizations (NGO’s), trade associations, and even competitors.

Bergman et al (2022) identify three ways for how retailers can work with demand influence. First, retailers can work to enhance the sustainability of their assortments, as it determines the options available to consumers. Second, retailers can work with consumers to help them act on sustainability ambitions, for example through communication, loyalty programs, or other promotion activities that stimulate purchases of more sustainable options. Third, retailers can work to enhance the lifetime of the products they sell, for example by developing circular business models or helping consumers in usage or disposal of products after purchase. All these initiatives thus build on collaborating with consumers on sustainability issues to reduce the negative impact.

Research has, however, shown that both professionals and consumers struggle with identifying which sustainable consumer behaviors have the highest potential to mitigate negative impact on society (Lembregts and Cadario 2024; Winterich et al. 2024). Regarding climate change, many initiatives have focused on recycling despite having a relatively low impact, whereas other behaviors such as living car-free or avoiding long haul flights have received less attention despite their high-potential. Hence, retailers must carefully evaluate where their sustainability engagement can contribute the most. In the new EU regulations, this is often regulated through a requirement for a “double materiality” analysis that acknowledges risks and opportunities from both financial and nonfinancial perspectives. This requires a stakeholder rather than shareholder perspective and that companies evaluate how sustainability issues might affect and create financial risks (financial materiality) as well as how their operations and activities affect the environment and people in society at large (impact materiality).

Research further shows that impacting consumer behaviors, perceptions, and attitudes not only depend on aspects of the sustainability initiative itself. Rather, they are shaped by a combination of aspects of the initiative, the company behind it, and market conditions as well as how the three interact. Importantly, this showcases that companies must consider how their sustainability engagement fits into the broader context of their operations, where the company’s past actions, as well as consumer base characteristics and actions by competitors, regulators, and the media shape how consumers react to sustainability initiatives (Fors et al. 2026).

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Note: access to reports and regulations are available via hyperlinks in the text

CFR Course Notes are developed for use in the BSc in Retail Management program at the Stockholm School of Economics. Course notes are brief summaries that are meant to complement course readings on important topics not covered in the main textbooks or articles.

Appendix 1. A Brief List of Sustainability Terminology

Circular Economy: This term typically refers to an economic system that is regenerative and circular, rather than wasteful and linear. The general idea is to develop long-lasting design, maintenance, repair, reuse, remanufacturing, refurbishing, and recycling to make sure that waste is eliminated and materials from used products are used as raw materials in new products. The term evolved from Life Cycle Approaches such as "Cradle to Grave" and "Cradle to Cradle" and was popularized by the Ellen MacArthur Foundation.

Conscious Capitalism: The term is typically used to describe a type of capitalism in which companies follow a business strategy in which they seek to benefit both human beings and the environment. Based on a review of companies that have successfully created value for all their stakeholders (including customers, employees, suppliers, investors, society, and the environment) this framework delineates four principles for conscious capitalism: higher purpose, stakeholder integration, conscious leadership, and conscious culture and management.

Doughnut economics: Developed by Kate Raworth for Oxfam in 2012, Doughnut Economics is an economic model that is visualized as a doughnut-shaped framework with two main components. The inner ring represents social foundations that ensures that no one falls short on life's essentials, such as food, education, and healthcare. The outer ring represents the ecological ceiling that ensures that humanity does not overshoot planetary boundaries, such as climate change, biodiversity loss, and pollution. The space between the two rings is a safe and just space for humanity.

ESG: ESG stands for Environmental, Social and Corporate Governance and provides a framework for measuring the sustainability and ethical impact of an investment or company.

Sustainable business: Often refers to business models aimed at solving sustainability challenges, for instance in eco-technology or the so-called sharing economy (Borglund et al., 2025).

Triple bottom line (TBL): The term typically refers to an accounting framework with three parts: social, environmental, and financial. Simply stated the framework is used to direct focus not just on the economic value, but also on the environmental and social value that a company adds or destroys. A related terminology is that of the 3Ps, Planet, People, and Profit. The idea is to assess the performance of a company not only in terms of profit (financial bottom-line), but also its effects on planet (environmental bottom-line) and people (social bottom-line) (Elkington, 1997).

Appendix 2. Examples of EU Legislations and Directives Relevant to Retailers

Legislation	Year	Short description
European Climate Law	2021	Requires Europe to be climate-neutral by 2050, reducing net greenhouse gas emissions by at least 55% 2030, and by 90% 2040, compared to 1990 levels.
Corporate Sustainability Reporting Directive	2023	Requires standardized and expanded sustainability reporting, in addition to financial reporting. In, 2026 an omnibus package raised the threshold for what companies are included and extended deadlines for this directive.
Batteries Regulation	2023	Ensures that batteries have a low carbon footprint, use minimal harmful substances, need less raw materials from non-EU countries, and are collected, reused and recycled to a high degree in Europe.
EU Deforestation Regulation	2023	Aims to reduce greenhouse gas emissions and biodiversity loss by boosting the consumption of 'deforestation-free' products and by reducing the EU's impact on global deforestation and forest degradation.
Corporate Sustainability Due Diligence Directive	2024	Companies must identify and address adverse human rights and environmental impacts of their actions. In, 2026 an omnibus package raised the threshold for what companies are included and extended deadlines for this directive.
Empowering Consumers for the Green Transition Directive	2024	Ensures that consumers are provided with better information on the durability and reparability of goods and the consumer's legal guarantee rights. It also strengthens consumer protection against greenwashing and early obsolescence practices.
Ecodesign for Sustainable Products Regulation	2024	Requires companies to make products more durable, repairable, reusable, energy-efficient, and recyclable, while introducing Digital Product Passports.
Forced Labour Regulation	2024	Prohibits products made with forced labor on EU markets starting December 2027.
Packaging and Packaging Waste Regulation	2025	Sets out sustainability and labelling requirements for packaging throughout its life cycle, including production, use and waste management.
Waste Framework Directive & Extended Producer Responsibility	2008 (revised 2025)	Aims to protect the environment and human health by emphasizing the importance of proper waste management, recovery and recycling techniques to reduce pressure on resources and improve their use. It also introduces the concept of Extended Producer Responsibility (EPR), whereby producers of products bear responsibility for the management of the waste stage of a product's life cycle.

There are also several multilateral and national mandatory and voluntary guidelines and frameworks available to retailers when implementing sustainability efforts. Some of the most influential and cited guidelines relevant to retailers are:

Greenhouse Gas Protocol: provides standards, guidance, tools and training for businesses and governments to measure and manage seven direct climate-warming emissions. Scope 1 are direct emissions that are owned or controlled directly by the company, scopes 2 and 3 are indirect emissions that are a consequence of the activities of the company but occur from sources not owned or controlled by it.

The UN Guiding Principles on Business and Human Rights (2011): Also referred to as the "Protect, Respect and Remedy Framework". It defines the states' duty to protect human rights and fundamental freedoms, the role of businesses and their responsibility to respect human rights, and the right to access appropriate and effective remedies when these rights are breached.

The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (2023): The guidelines were first introduced by the OECD in 2000, updated again in 2011 and finally in 2023. They are recommendations addressed by governments to multinational enterprises and aim to encourage positive corporate contributions to economic, environmental and societal progress.

The United Nations Global Compact (UNGC): The world's largest voluntary corporate network on sustainability and has often been a first step in implementing sustainability strategies. The compact covers ten principles in the areas of human-rights, labor, anti-corruption, and environment. It is designed to push companies to move beyond traditional compliance and narrow risk assessment.

ISO14001: This standard defines the requirements for an Environmental Management System (EMS) that helps organizations to identify and manage impacts of their operations from a lifecycle perspective. Regular audits are needed to check the implementation of the EMS and this standard also outlines the general principles for conducting social and environmental audits (e.g., criteria for selecting audit teams, qualifications necessary for internal and external auditors).