

## **SUSTAINABLE DEVELOPMENT IN THE RETAIL SECTOR – A LOCAL PERSPECTIVE**

Magdalena Stefańska<sup>1</sup>, Barbara Borusiak<sup>2</sup>

### **Abstract**

In recent years, the concept of sustainable development (SD) has become an important determinant in the activities of enterprises and the authorities, at both central and local levels. The transference of many tasks from a central to a local government level has meant that local authorities have become the principal decision-makers, determining the directions for the development of individual territorial units. They also specify the conditions under which companies can participate in this process. A particular role in terms of implementing the sustainable development concept rests on retail enterprises. The purpose of this paper is to explain how the concept of sustainable development determines the policies of local governments with regard to developing a commercial network in a given area; and on the other hand, how it affects the development strategies of retail enterprises. The paper presents examples from selected countries illustrating how the SD concept is implemented at the local level in relation to the retail sector.

**Keywords:** sustainable development, retail trade, local authorities, Agenda 21

**JEL Classification:** M14, M10, H75

### **Acknowledgement:**

*This paper has been written as part of a research grant funded by the National Science Centre, decision No. DEC-2011/03/B/HS4/03576.*

*The paper has been chosen to be published in polish national Journal "Handel Wewnętrzny" - Magdalena Stefańska, Barbara Borusiak - Sustainable Development in the Retail Sector – a Local Perspective, "Handel Wewnętrzny" (2015)5/358, pp. 302-312.*

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<sup>1</sup> PhD, Poznań University of Economics, Poland, Department of Marketing Strategies, al. Niepodległości 10, 61-875 Poznań, m.stefanska@ue.poznan.pl, mobile phone: 691 35 25 35.

<sup>2</sup> Associate Professor, Poznań University of Economics, Poland, Department of Trade and Marketing, al. Niepodległości 10, 61-875 Poznań, b.borusiak@ue.poznan.pl, mobile phone: 660 537 415.

## 1. Introduction

Sustainable development is most commonly defined as a concept according to which present generations should manage the Earth's resources in such a way as to ensure that the needs of future generations can also be satisfied (Kates, Parris & Leiserowitz, 2005, pp. 8-21). At its root lies the assertion that through the over-exploitation of natural resources people have disrupted the environmental balance, thus threatening the future of subsequent generations. Originally, the concept related to maintaining a balance between the number of trees cut and new ones planted. In practice, the essence of the definition has not changed in much modern times (Bartkowiak & Koszel, 2011, pp. 30-31). In view of environmental degradation and the environmental risks associated with the progress of civilization, it is necessary to undertake measures to protect both the environment and people.

In this paper the authors have narrowed down the topic and focused the discussion on the issue of implementing the concept of sustainable development in the relationships between local authorities and retailers. Defining such a scope of discussion was dictated by several factors. Firstly, sustainable development is the direction recommended by the European Union for the development of societies and economies. However, ideas of a global nature tend to be quite abstract; they have a fairly general content and are open to various interpretations. Therefore, it is necessary to translate them into more pragmatic terms, thus bringing them closer to local decision makers. Secondly, the responsibility for popularizing global concepts in societies and local communities rests with the local authorities because of their direct impact on the lives of community members and the activities of business enterprises. It is the local authority that is in charge of a given area and it makes decisions relating to its management and development. This is also confirmed by the Agenda 21 document, formulated in 1992 at the Earth Summit in Rio de Janeiro, which provides guidelines for the implementation of sustainable development programmes (Agenda 21<sup>3</sup>). In one of the points it designates local authorities as the bodies responsible for familiarizing both the residents and entrepreneurs with the strategic guidelines

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<sup>3</sup> The document consists of 4 sections, each devoted to a different area: Social and Economic Dimensions – which refers to the interactions between environmental issues and poverty, health, trade, debt, consumption and demographics; Conservation and Management of Resources for Development – which outlines the ways in which natural resources, including land, sea, energy and waste, must be managed to ensure sustainable development; Strengthening the Role of Major Groups – regarding work for sustainable development (including disadvantaged groups); Means of Implementation – including the role of different types of governmental and non-governmental activities as well as the sources and methods of funding. More in: United Nations Conference on Environment and Development, Rio de Janeiro 1992, pp. 1-351.

contained in the Agenda 21 document<sup>4</sup>. Thirdly, in order to implement the concept of sustainable development it is necessary to meet the needs of the population of a given area, including the basic existential needs which constitute a priority for sustainable development, as well as taking into account environmental barriers in planning economic development (Bartkowiak & Koszel, 2011, p. 31). Another factor is connected with the concept of Corporate Social Responsibility, which constitutes an integral part of the strategy for global retailers. Socially responsible commercial enterprises ideologically fit the trend of sustainable development. An analysis of the CSR reports of the largest global retailers shows that they all include the CSR concept in their strategies through adopting a responsible approach towards stakeholders as well as accepting economic, legal, ethical and philanthropic responsibility for the consequences of their activities (Stefańska, 2014, pp. 684-692 ). The final reason for the choice of the focal point for this paper is the fact that there are few publications relating to the cooperation between local authorities and retail companies in the context of ensuring regional development and maintaining a balance between traditional local trade and the expansive policies of large-scale retailers. This issue was partially addressed by Ciechomski (2010), Szulce (1998), as well as Kłosiewicz-Górecka and Słomińska (2001), but in this paper the authors concentrate on the current problems associated with the lack of a plan in terms of retail chain development.

## **2. Local government and the sustainable development of retail networks**

Local authorities are responsible for economic and social development as well as environmental protection in order to improve the quality of residents' lives. Local authorities play a key role in ensuring order and harmony in the development of an area because they have the necessary tools to influence the form and direction of this development. In practice this involves, among other things, solving the environmental, social, economic and spatial problems and challenges facing today's urban centres and rural areas. Sustainable development of these spaces requires creating local regulations defining the conditions for the development of a given space, including land-use planning.

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<sup>4</sup> Paragraph 28.3 reads "Each local authority should enter into a dialogue with its citizens, local organizations and private enterprises and adopt 'a local Agenda 21'. Through consultation and consensus-building, local authorities would learn from citizens and from local, civic, community, business and industrial organizations and acquire the information needed for formulating the best strategies. The process of consultation would increase household awareness of sustainable development issues. Local authority programmes, policies, laws and regulations to achieve Agenda 21 objectives would be assessed and modified, based on local programmes adopted. Strategies could also be used in supporting proposals for local, national, regional and international funding".

The retail trade is a sector of the economy which plays a substantial role in the functioning of settlements, especially cities (Zakrzewski et al., 1984; Grzesiuk, 2010, pp. 31-80). It is often assumed, with good reason, that retail plays a contributory role in the formation of cities, which is directly related to the trading functions implemented within cities, such as (Budner, 2014):

- ensuring the possibility of exchanging goods for money and thus creating a business environment,
- providing consumers with convenient access to product offerings,
- creating jobs,
- contributing to revenue generation for a settlement,
- integrating the local community through trade,
- cultural functions – offering (as a complement to shops) a range of leisure activities (particularly noticeable in shopping centres),
- contributing to the urban design and architectural attractiveness of cities.

The multidirectional impact of retail means that in order to apply the concept of sustainable development in this sector, several conditions must be met. These include the following:

- avoiding any forms of monopolisation in local markets, which can manifest itself through the dominance of certain retail forms,
- ensuring the diversity of retail, including different store formats, forms of ownership and forms of retail trade concentration (not only modern shopping centres but also marketplaces and bazaars), which provides customers with access to a diverse range of products as well as giving producers (especially local) access to the market,
- adjusting the location of retail outlets to the current and projected road infrastructure as well as the number and distribution of potential customers. On the one hand, this is connected with adjusting the number and area of shops to market needs; and on the other, with ensuring that the location of the shops will not overburden the transport routes thus making them inefficient; and that it will not result in the disappearance of green areas or a reduction of the public space to an absolute minimum,
- contributing to the welfare of a settlement through creating attractive jobs as well as contributing to its revenue,
- contributing to the architectural and cultural attractiveness of settlements,

- minimising any negative impact on the environment and promoting intelligent buildings which use their own sources of energy.

Unfortunately, the processes of increasing capital, technological and organizational concentration observed throughout the economy also affect the retail sector and are not conducive to the implementation of sustainable development. This is also evident in the local aspect of retail operations, with an increasing number of usually large-scale chain stores and shopping centres, and a decreasing number of stores owned by independent retailers. Because of the growing importance of chain stores, the retail offering is becoming more and more homogeneous, leaving less and less room for local production. In many cases, this often leads to conflicts between local communities and the local authorities, especially that local communities are not monoliths but rather collections of stakeholders with often conflicting objectives. While local entrepreneurs (shop owners) are typically against large retail chains, ordinary residents who are professionally unrelated to trade expect convenient access to a range of products, which usually can more easily be provided by large retail chains (longer opening hours; a larger area enabling one-stop shopping; better storage technologies; lower prices).

As a result of the processes observed in the retail sector, modern cities have also experienced a number of other phenomena which are a negation of the concept of sustainable development within a city, such as (see: Budner, 2014; Turner & Gardner 2014):

- degradation of city centres,
- perpetuation of social divisions within cities through hindering access to certain facilities by elderly or indigent people, for example because they do not possess cars,
- degradation of public spaces as a result of the primitive or incongruous architecture of retail establishments, or as a result of inadequate commercialisation of retail spaces,
- traffic congestion caused by building large retail establishments in an area with inadequate road infrastructure,
- restriction of public space, green areas and recreation grounds is used as land to build retail facilities.

The scale of these phenomena is so large that it is becoming increasingly urgent, particularly for local authorities, to conduct active policies that will ensure the implementation of the sustainable development concept. For many years in some European countries, special permits have been required to set up a new retail establishment in order to protect already

existing facilities, provided there is a diversity of retail forms, and investors are forced to adopt pro-environmental attitudes with the impact of investments on the local labour market being taken into account (Ciechomski, 2010, p. 266). Such policies show how the idea of sustainable development can be incorporated into the context of retail trade.

It has to be noted, however, that in Poland the influence of local authorities on the development of retail networks has been fairly low in recent years, which is a result of either the lack of a strategy with regard to the development of retail trade in the local market, or an inability to block large-scale investments (Kłosiewicz-Górecka & Słomińska 2001, p. 77). One can assume that now, with the relatively low assessments regarding cooperation between enterprises and local authorities, not much has changed in this respect (Starczewska-Krzysztozek, 2014). Thus, the issues which cause conflicts between stakeholders and which, above all, hinder the implementation of sustainable development at the local level still remain to be resolved.

### **3. Instruments for implementing the concept of sustainable development in the retail sector**

The principal instrument at the disposal of local governments for the implementation of policies relating to sustainable development and spatial order is spatial planning. Although it might seem that spatial planning is mainly concerned with the creation of spatial order, it actually plays a major role in shaping the socio-economic environment, especially with regard to sectors which are very strongly linked with space, as is the case with retail trade<sup>5</sup>. Implementing the concept of sustainable development that was adopted in 1992 required a holistic and interdisciplinary way of addressing economic, social, environmental and zoning issues within territorial units. This is when spatial planning became integrated with various general, broader urban (municipal) development policies (Topczewska, 2010). Integrated planning makes it possible to control development processes. Its essence lies in “building networks rather than performing atomised actions or relinquishing initiatives by municipal authorities to market mechanisms” (Mierzejewska, 2008). This means that spatial planning is a strategic function of the utmost importance, requiring a high level of competence from local government, particularly city and municipal councils.

According to Polish law (The Act on Spatial Planning and Development, 2003), the process of spatial planning consists of two stages. In the first stage a study on the conditions and

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<sup>5</sup> When retail trade is conducted through bricks-and-mortar shops, the place where services are produced cannot be separated from the place where they are offered to customers, as is the case in manufacturing sectors.

directions for land use is developed and adopted by the municipal council in the form of a resolution. In the second stage a local zoning plan is developed and adopted. Additionally, in the absence of a local plan, municipalities may issue administrative decisions regarding planning permissions and the location of public purpose investments.

A study on the conditions and directions of land use determines the spatial policy of a municipality and the local principles of land-use management. It takes into account the principles of national spatial planning, the development strategy and spatial development plan of the region, and the development strategy of the municipality, if the municipality has such a strategy. Such a study is not an instrument of local law but in accordance with Article 9 paragraph 4 of the Act on Spatial Planning and Development its provisions are binding on the municipal authorities in the preparation of local plans. The second stage in the process of local space management is the local zoning plan. It designates specific uses of land, including areas of land for public and private investment. The document comprises mandatory and optional content, the latter including the areas of land earmarked for the construction of large-scale retail establishments<sup>6</sup> (Kwartnik-Pruc & Przewięźlikowska, 2007). In practice there is a dispute concerning the interpretation of the Act on Spatial Planning and Development as regards the development of the local zoning plan as a condition for the construction of large-scale retail stores<sup>7</sup>. It has to be said, however, that the dominant interpretation gives local authorities much greater powers in terms of determining the spatial, economic and social aspects of the local environment<sup>8</sup>, which is the principal postulate of this paper.

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<sup>6</sup> These are stores with an area of over 2,000m<sup>2</sup>.

<sup>7</sup> The essence of the dispute is whether the existence of a local zoning plan is a precondition for building a large-scale retail facility. The statute and a significant part of case law indicate that this is indeed the case. Adopting such an interpretation means that such facilities cannot be built on the basis of planning permission. However, this interpretation of the relevant paragraph of the Act on Spatial Planning and Development is not universally accepted. Opponents argue that the wording clearly indicates that the obligation to draw up a zoning plan must be defined in a separate regulation, and no separate regulation includes such an obligation for large-scale retail facilities, as is the case, for example, in relation to public-use airports. Another argument is that it is difficult to justify the more restrictive treatment of large-scale retail establishments in comparison to, for example, manufacturing or office facilities. This, however, is not necessarily true as the potential impact of a large store on the local environment is much greater than, for example, that of an office building (Czy wystarczy decyzja o zabudowie [Is planning permission enough?], 2014, <http://prawo.rp.pl/artukul/1091387.html>, accessed: 4.05.2015).

<sup>8</sup> Generally, the influence of the local authorities on the shape of the retail network is currently weaker than the provisions of the Act on the Establishment and Operation of Large-scale Commercial Facilities intended (Journal of Laws of 2007, No. 127, item 880). This law, which was annulled by the Constitutional Court in July 2008, gave local authorities much greater power with regard to the spatial arrangement of the retail network than the law which is in force today.

In the interests of spatial order, local authorities indicate in their land-use plan what commercial activities may take place in selected locations. Thus, conducting retail operations requires the fulfilment of certain conditions (Grzesiek, 2014). The local zoning plan defines how the land can be used, what kinds of activity are permitted on particular lots, the size of the buildings, the type of architecture, the height of the buildings, the proportion of space the buildings can occupy, as well as, for example, the kind of fence surrounding the plot. On the one hand, this protects the interests of people who wish to buy neighbouring plots as they can find out what their potential neighbourhood is likely look like in the future; on the other hand, it is helpful to the people who already own adjacent plots because, as neighbours, they may have the right to lodge a protest if the activity undertaken on a particular plot is contrary to its purpose (assuming that they will be recognized as a party in the proceedings). From the point of view of an investor, a municipal zoning plan facilitates investment decisions. If no such plan exists, an investor has to follow a long course of administrative procedures, which includes applying for a construction permit as well as a decision to establish public purpose. This may generate concerns among local residents as to the character of the future neighbourhood; thus being a potential source of conflict.

#### **4. Practice in other countries**

Both in Germany and in the United Kingdom there are rules concerning land development (Zagospodarowanie przestrzenne [Spatial planning], p. 30). In Germany, it is vital to observe two principles: preventing conflicts and considering individual interests. In the UK there is the principle of balancing public and private interests, although some freedom of decision is left to local authorities. In Germany, it is also important to observe the regulations with regard to preventing the scattering of settlements and buildings as well as dealing with the revitalization of existing buildings. In Britain, in turn, there is the principle of planning permission which must be obtained to erect new buildings or change the use of land. The procedure is not strictly binding in nature, and applications are assessed on merit. In addition, in the UK there are also entrepreneurial zones and simplified planning zones, where investors do not have to apply for planning permission. The principal difference between the German and British solutions, however, is that in Germany the specific conditions for a plot of land are very clearly defined, while in the UK the application of every prospective investor is assessed on merit and the advantages and drawbacks of each potential investment are assessed. An interesting fact is that in the solutions that exist in Germany and the UK with regard to land development any investment



decisions must be accompanied by an assessment of the capacity of the existing infrastructure, and if the infrastructure is not sufficiently developed it is necessary to plan its expansion.

Zoning plans create a framework for local entrepreneurship. However, in the context of sustainable development it must be noted that satisfying the requirements of a plan is not everything. The spectrum of retailers' initiatives for the benefit of the local community can be much broader than investing in pavements and roads around the store, or conducting promotional campaigns with an underlying social mission. The United Kingdom boasts particularly extensive experience in this respect because its government puts great emphasis on the development of partnerships in the area of sustainable development. In 2001 the Business Excellence Through Resource Efficiency (BETRE) project was launched, which was run by the local authorities in East Sussex, the Environmental Protection Agency, and business organizations. The project included organizing seminars and training sessions, environmental audits, grants for the implementation of pro-environmental actions, as well as various forms of support, advice and information (Teneta-Skwiercz, 2013, p. 128). As another example, according to research conducted in the UK, shopping centres undertake a number of initiatives, which include the following (Medway, Alexander, Bennison & Warnaby 1999, pp. 246-255):

- placing advertisements in the local media promoting town centres as locations for shopping and leisure activities,
- establishing, maintaining and managing car parks in town centres,
- expanding and maintaining CCTV systems to ensure the safety of residents,
- installing illuminations to celebrate festivals,
- implementing programmes for crime prevention and improving safety,
- increasing awareness in the community with regard to safety and crime prevention,
- organising places where children can spend time,
- preparing and distributing materials which promote the city and its tourist attractions,
- managing *park&ride* car parks,
- creating pedestrian precincts,
- including retail outlets in the early warning system for local residents,
- employing city centre guards to perform certain duties, for example cleaning (removing graffiti, emptying waste bins etc.),

- implementing *shopmobility* schemes, which provide, for example, electric wheelchairs to people with limited mobility,
- improving the signposting of cities and creating unmanned public information points,
- employing street artists for promotional purposes,
- improving and maintaining street furniture (such as waste bins, benches, street lamps, sculptures, fountains etc.).

## 5. Final remarks

In conclusion, local and regional authorities are able to influence the development of retail networks through implementing long-term development policies with regard to retail space, complementing the development of residential space. Above all, it is necessary to observe the principle of sustainable development in its economic, social and environmental dimensions and to translate this concept into solutions at the municipal level, in particular to ensure their inclusion in development plans. Examples from abroad show the many different levels of cooperation and methods of joint implementation for sustainable development that can be utilised. The main barrier of it is connected with low level of diffusion of knowledge about the implementation of the SD idea among local authorities and lack of solutions how to integrate corporate and public affords to improve quality of life.

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