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Is the 'Sustainable Retail Business Model' a Pipedream?: A Multiple Case Study of Nordic Retailers

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Abstract

Purpose: Increasing public awareness of social and environmental problems has led to critique of firms, raising questions about their efforts in addressing sustainability. Due to their unique position in the supply chain, retailers have enormous potential to influence sustainable progress through their business models. However, many global retailers have fallen into various sustainability-related scandals. Therefore, the purpose of this study is to identify activities that retailers are undertaking to address sustainability.

Design/Methodology/Approach: Recent reports indicate that Nordic retailers have established themselves as sustainability pioneers. Consequently, this exploratory research is based on an empirical multiple case study, focusing on eight retailers from Denmark, Finland, Norway, and Sweden. This study draws from sustainability reports and employs directed content analysis to identify retailers' activities.

Findings: The study identified 44 retailing activities used to address sustainability and revealed that only six (out of 45) sustainable business model design patterns are commonly used by pioneer retailers. The findings illustrate both the common and emerging patterns in retail, and further highlight the areas that are lacking in retail business model design.

Originality/Value: By exploring how a megatrend is addressed by commercial actors, this research connects retail business model and sustainable business model literature, proposes a new role for retailers as change agents, and suggests five propositions that can guide traditional retailers on their sustainability journeys.

Keywords: Sustainability, Retail Business Model, Sustainable Business Model, Retailers' Activities, Pioneers, Nordic

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Introduction

Unfortunately, in the retail domain, sustainability-related scandals are all too common. News headlines and reports recently revealed that retailing giant, Amazon, destroys over 130,000 unused products a week to clear space in their warehouse (Pallot, 2021) and in 2018, luxury fashion retailer, Burberry, destroyed unwanted stock worth £28.6 million in a so-called effort to 'protect brand value' (Pinnock, 2018). These practices indicate business models built on "speed and greed" (Greenpeace, 2021), with an unquestionable prioritization of economic performance over concern for the environment. Further malpractices can be seen at the world's largest retailer, Walmart, and sportswear retailer, Nike, who have been under multiple lawsuits related to discrimination, forced overtime, wage theft, break restrictions, and denial of holidays (Abrams, 2017; Clean Clothes Campaign, 2018; Kish, 2016). Once again, highlighting economic value as the driving force for firms, this time, at the expense of employee welfare.

With growing awareness of the harms caused by overproduction and consumption, firms have been accused of concentrating on profit maximization instead of participating in social and environmental problem solving (Bansal and Desjardine, 2014; Engert and Baumgartner, 2016). Though this has placed sustainability high on corporate agendas, reports indicate that we are not on track to achieve the Sustainable Development Goals (SDGs) by the 2030 deadline (Moyer and Hedden, 2020; Sachs *et al.*, 2021). In the race to address global challenges, an increasing number of scholars emphasize that making meaningful change demands an adjustment of the underlying business model (Evans *et al.*, 2017; Joyce and Paquin, 2016; Raith and Siebold, 2018). Consequently, research that furthers our understanding of business models has important implications for sustainable development (Lüdeke-Freund and Dembek, 2017; Schaltegger *et al.*, 2016).

So far, various research efforts have broadened our knowledge of sustainable business models (SBMs) such as sharing economy (Curtis and Mont, 2020), circular (Guldmann *et al.*, 2019; Oghazi and

Mostaghel, 2018), hybrid (Alberti and Varon Garrido, 2017; Doherty and Kittipanya-Ngam., 2021), green (Lindgren *et al.*, 2021), second-hand (Yrjölä *et al.*, 2021), and participated business models (Dal Mas *et al.*, 2020). Geissdoerfer *et al.* (2018) claim that SBM characteristics include a focus on sustainable value creation, proactive multi-stakeholder management, and a long-term perspective. They also identified four types of innovation such as sustainable startups, SBM transformation, SBM diversification, and SBM acquisition. While these different types of innovation exist, the large majority of research in this area tends to focus on the creation of new business models for sustainability (e.g., Raith and Seibold, 2018; Dal Mas *et al.*, 2020). However, adopting an entirely new business model often requires multiple modifications before reaching profitability (Johnson *et al.*, 2008). This suggests that while striving for a new business model with sustainability at its core is desirable, a complete overhaul of the existing business model may be troublesome, especially for well-established, profitable firms that are aiming to deliver shareholder value. Accordingly, a more pragmatic approach would suggest a closer examination of how existing business models can be shifted to address sustainability and create other types of value (e.g. Ritala *et al.*, 2018). What is surprising is that despite calls to do "more and better with less" in pursuit of sustainability (United Nations, 2021), one of largest business domains – retailing – has remained off the radar in business model research. This means that studies on business models for sustainability have neglected one of the most prominent business models capable of addressing this call, the retail business model (RBM).

As retailing aims to connect production and consumption, retailers have earned their place in the value chain by providing marketplaces that enable consumption to begin (McArthur *et al.*, 2016). Therefore, due to their unique position, retailers have enormous potential to create more sustainable value and exert influence on suppliers and consumers (Jones and Comfort, 2019). While retailers have been relatively slow in their adoption of sustainability, widespread changes have been witnessed in customer preferences, expectations, and behaviors (McKinsey, 2020) indicating that a rising number of

consumers consider sustainability when making purchasing decisions (Swedish Retail Federation, 2020; Vadakkepatt *et al.*, 2021). This serves to influence, motivate, or even force retailers to lay emphasis on sustainability.

In recognition of the potential for the elusive 'sustainable retail business model', we make an early attempt to connect the literature on RBMs (Sorescu *et al.*, 2011; Cao, 2014; Haas, 2019) and SBMs (Schaltegger *et al.*, 2016; Lüdeke-Freund and Dembek, 2017; Ritala *et al.*, 2018) by zooming in on retailers' activities (e.g., Sorescu *et al.*, 2011; Zott and Amit, 2010). As such, this study leans on the idea that "change toward more SBMs requires simultaneously building upon and destroying current activities to create novel, more sustainable organizational forms and practices" (Hahn *et al.*, 2018, p. 238). Therefore, adopting an activity-based perspective with activities as a research unit enables us to understand the tensions retailers need to overcome when answering the calls for sustainability. In particular, activities are said to serve as important indicators of how firms are transitioning their business models in pursuit of sustainability (Ritala *et al.*, 2018). Hence, by focusing on activities, our qualitative exploration addresses the 'how' in the crossroads of retail and sustainability.

As we continue to fall short of the SDG indicators, we turn to the Nordic countries who lead in global comparisons of sustainability (Sachs *et al.*, 2021) with the intent of examining the activities they are performing to address sustainability. Toward that end, the purpose of this study is to identify activities that pioneering retailers are undertaking to understand the current phase of sustainability in the field. Through this study we contribute by adopting the concept of sustainable business model (SBM) as theoretical lens to reveal the six most salient patterns that illustrate sustainability efforts in the current phase of retailing. In addition, for managers, we highlight that all sustainability activities cannot be executed through traditional RBMs, and so, we pose five propositions that may help mainstream firms to adjust their existing strategies in pursuit of more sustainable business.

Literature Review

Sustainability and Sustainable Business Models

At its core, sustainability proposes that society should develop in a manner that supports the needs of current generations without impeding the needs of future generations (WCED, 1987). However, striving towards this vision has underscored the existing friction between the commonly referenced three dimensions of sustainability – economic, social, and environmental (Bansal and Desjardine, 2014; Brenner, 2018; Purvis *et al.*, 2019). The underlying argument is that firms only address sustainability if there is an economic incentive (Alberti and Varron Garrido, 2017; Stubbs and Cocklin, 2008). As issues surrounding the prioritization of sustainability dimensions persist, a stream of literature on SBMs has emerged, offering various models, tools, and theories to address complex sustainability issues (Stubbs and Cocklin, 2008; Dyllick and Muff, 2016; Lüdeke-Freund and Dembek, 2017; Schaltegger *et al.*, 2016). The following definition serves as our basis of understanding of SBMs: "a sustainable business model is one whose rationale for value creation, delivery, and capture allows a firm to contribute to solving sustainability challenges and to promoting sustainable development" (Lüdeke-Freund *et al.*, 2022, p. 36). Research has identified several key features of SBMs noting that they 1) follow normative orientations (e.g., trends such as SDGs), 2) question traditional notions of value creation (e.g., customer and shareholder value as central) and value capture (e.g., economic value as an end), 3) recognize a broader range of stakeholders (consider other stakeholders beyond the customer), and 4) adopt a systems thinking approach (consider the system in which the SBM is embedded) (Lüdeke-Freund *et al.*, 2018). Based on these features, one can surmise that the key challenge for firms seeking to transition to a SBM is the necessary change in value creation logic, demanding a shift away from typical profit-maximizing models (Schaltegger *et al.*, 2016).

Retailers as facilitators of sustainability

Due to the widespread recognition that our current ways of producing and consuming are unsustainable, scholars have emphasized the important role

of retail in influencing sustainable practices (Jones and Comfort, 2019; Vadakkepatt *et al.*, 2021). For instance, Ruiz-Real *et al.* (2018, p. 14) note that due to their unique position in the value chain, retailers can “pressure their suppliers to achieve more sustainable business models, as well as promote and encourage changes in consumer behavior that improve social and environmental issues”. Thus, retailers have enormous potential to address sustainability through their own activities and through exerting influence on suppliers and consumers (Jones and Comfort, 2019). Research acknowledging this potential has been conducted on topics such as retailers’ progress towards the SDGs (Jones and Comfort, 2021), sustainability reporting (Jones *et al.*, 2011; Jones and Comfort, 2019), the role of technology and innovation (Ruiz-Real *et al.*, 2018), the retail store (Lehner, 2015), the retail supply chain (Vadakkepatt *et al.*, 2021; Wiese *et al.*, 2012), and sustainable consumption (Fuentes, 2014; Joshi and Rahman, 2019). Additionally, previous studies have found that customers increasingly want to be associated with brands that share their values (Ruiz-Real *et al.*, 2018), are interested in responsible products (Wiese *et al.*, 2012), and that younger generations are willing to pay more for sustainable brands (Vadakkepatt *et al.*, 2021). These findings suggest that the business case for addressing sustainability is compelling as it poses opportunities to gain competitive advantage, increase credibility, and attract new customers (Jones and Comfort, 2019; Lehner, 2015; Ruiz Real *et al.*, 2018).

As is highlighted in SBM literature, making any shift from business-as-usual (pure economic orientation) towards sustainability requires redefining the traditional notions of value creation (Schaltegger *et al.*, 2016; Lüdeke-Freund *et al.*, 2018), as well as building upon and destroying current activities to enable new activities to emerge (Hahn *et al.*, 2018; Dyllick and Muff, 2016). Hence, by addressing sustainability through their business models, retailers may better resonate with their customers and maintain stakeholder support (Hofenk *et al.*, 2019), hinting towards the future survival of the firm. Thus, we assume that the RBM should be seen as a central facilitator of sustainability in the retail sector.

Retail Business Models

Retailers have earned their place by providing value that cannot be achieved elsewhere in the value chain (Coughlan *et al.*, 2001; McArthur *et al.*, 2016). Hence, retailers have solved two main issues by providing delivery channels to suppliers and manufacturers, as well as enabling access of products for consumers. Accordingly, the RBM is characterized by its focus on a business logic that engages consumers in marketplaces, in which retailers sell products that are mainly manufactured by others (Sorescu *et al.*, 2011; McArthur *et al.*, 2016). Building on this, a RBM can be defined as “a tool for connecting production and consumption that captures the distinctive logic of proposing and creating value for actors in ways that enable a retailer to generate profits” (Hokkanen, 2022, p. 66). Thus, RBMs articulate the dominant logic in organizing building blocks (i.e., resources, capabilities, organizing systems) that enable retailers to propose, create, and capture value (Cao, 2014; Sorescu *et al.*, 2011; Haas, 2019).

The literature suggests that a BM takes multiple perspectives, namely strategic, operational and economic (Morris *et al.*, 2005). From a strategic perspective, retailers can utilize the customer value proposition (CVP), which is a statement describing the *activities* that positions a retailer in the market, to shape customer perceptions of value and guide organizational efforts (Cao, 2014; Payne *et al.*, 2017). From an operational perspective, the RBM contains three elements that express how value is created and delivered including format, activities, and governance (Sorescu *et al.*, 2011; Cao, 2014). The format (e.g., physical or virtual marketplaces) describes the way in which key retailing *activities* are sequenced, executed, and managed to fulfill a CVP (Sorescu *et al.*, 2011; Cao, 2014). *Activities* refer to “the engagement of human, physical and/or capital resources of any party to the business model (the focal firm, end customers, vendors, etc.) to serve a specific purpose toward the fulfillment of the overall objective” (Zott and Amit, 2010, p. 217). In the retail context, this refers to a selection of specific actions through which retailers create and deliver value (Sorescu *et al.*, 2011; Cao *et al.*, 2018). Next, governance represents a system of rules, policies, and factors

enabling a retailer to control its *activities* in internal and external environments (Sorescu *et al.*, 2011; Haas, 2019; Viswanadham, 2018). From an economic perspective, a profit formula explains the mechanisms used by a retailer to transfer some of the value created through *activities* for its own benefit (Haas, 2019; Johnson *et al.*, 2008; Kaplan *et al.*, 2004). Consequently, it seems that activities play a central role as they largely impact the other key elements in the RBM and influence a retailer's ability to remain relevant, differentiate, and ensure continuity.

We do not yet know if retailers are aiming to develop sustainable retail business models (SRBMs), or if they have yet to move beyond ad-hoc sustainability initiatives. Accordingly, we connect research on the RBM and SBM with a focus on how retailers can facilitate sustainability. To achieve this, we use retailers' activities as the research unit to enable a comprehensive scrutiny that will reveal how retailers are currently addressing sustainability. To aid this exploration, we propose the following research question: How do retailers address sustainability through their business model-related activities?

Methodology

Data Collection

To address our study purpose and respond to the research question, we selected a multiple case study approach. Our decision to conduct case studies was twofold. First, case studies are considered advantageous when there is a lack of existing theory (Eisenhardt, 1989). As there is little research that connects RBMs and SBMs, we determined that this approach would be suitable to enable exploration. Second, a multiple case study approach enables comparisons and enhances generalizability (Eisenhardt and Graebner, 2007). As such, by focusing on a range of retailers, we endeavored to identify the most common activities that emerge across accounts.

Although we are currently 'off-track' in our pursuit of the SDGs (Moyer and Hedden, 2020; Sachs *et al.*, 2021), the Nordic countries continuously rank highly in global comparisons of sustainability (EPI, 2020; SolAbility, 2020). In 2021, Denmark, Finland, Norway,

and Sweden maintained their position as sustainability pioneers, ranking in the top 10 in the SDGs progress report (Sachs *et al.*, 2021). To drive the sustainability agenda forward, as a prerequisite, we determined that retailers operating in these countries would serve as case examples. To select firms in this region, theoretical sampling was conducted, and selection criteria were established to ensure the theoretical relevance of each case (see Table 1) (Eisenhardt and Graebner, 2007).

As we were interested in firms that are perceived as sustainable, we referred to retailers that promote a sustainability program and rank in the top 20 on the Sustainable Brand Index (SBI) for 2020 (SB-Index, 2020). This index shows the top 20 sustainable brands by country for the previous year according to consumer perceptions, meaning that a total of 80 cases were considered. The process for reducing the number of cases involved removing brands that: were not retailers, appeared multiple times as they operate across the Nordics (e.g., we kept IKEA Sweden and omitted IKEA Denmark), and did not divulge sufficient information about their sustainability activities. Through this process, we reduced the number of cases to 16. Finally, we compared retailers based on their sustainability programs as well as the availability of materials in English (e.g., webpages, reports, press releases). This procedure resulted in the selection of eight cases which meets the ideal number required for a multiple case study (Eisenhardt, 1989).

While representativeness is often sought in research, we focused our efforts on enabling fruitful exploration and revealing new information (Flyvbjerg, 2006). Hence, rather than focusing on a specific type of retailer (e.g., fashion, grocery), we determined that different types of retailers would enable identification of a wide range of activities which may or may not transcend retailer type. The selected cases, their SBI ranking, country of origin, and type are as follows: Føtex (#17, Denmark, supermarket), Lego (#3, Denmark, toy), Kesko (#12, Finland, grocery), S-group (#2, Finland, grocery), Bergans of Norway (#11, Norway, outdoor equipment and clothing), Kiwi (#1, Norway, supermarket), IKEA (#1, Sweden, home furnishings), and Systembolaget (#8, Sweden,

Table 1.

Criteria	Description	Rationale
Nordic based organization	The retailer is based in Denmark, Finland, Norway, or Sweden.	To examine organizations operating in countries that are ranked in the top 10 most sustainable countries in the world (EPI, 2020; Sachs et al., 2021; SolAbility, 2020).
Sustainable brand	The retailer ranks in the top 20 on the sustainability brand index.	To serve as an indication that the retailer considers sustainability a high priority. Also, as this index refers to customer perspectives, this suggests that their sustainable activities are visible to the end customer.
Sustainability program	The retailer supports and promotes a sustainability program.	To understand how retailers approach sustainability and which of the sustainability dimensions are emphasized.
English language	The retailer shares information about their sustainability activities in English.	To ensure reliability during case comparison without the need for data manipulation by the researchers.

Table 1: Theoretical sampling criteria for case selection

beverages). While some producers and manufacturers are included in the sample, retail activities are significant part of their BMs, and therefore only the properties of their retail activities are considered in the analysis. The case examples are introduced in Appendix 1.

Once the cases were selected, relevant sources were gathered including sustainability reports, annual reports, corporate websites, and press releases. Sustainability reports served as the main source of data, while others provided complementary information to deepen our understanding of each case. Through this process 843 pages were generated for analysis. Data was collected from 2019, before firms were amidst a crisis. While unexpected events usually accelerate evolutions in markets, due to the nature of the Covid-19 pandemic, retailers' strategic

foci and thus the activities they usually perform have been significantly influenced. Therefore, new activities executed in 2020 can be observed as a response to the pandemic but will not necessarily be continued once business as usual is resumed.

Data Analysis

The data was imported into Atlas.ti, a software program that facilitates the analysis of qualitative data. To guide analysis, we referred to the process of directed qualitative content analysis (Hsieh and Shannon, 2005). We determined that the directed approach would be suitable as it supports the use of existing concepts to steer exploration (Hsieh and Shannon, 2005). The analysis process involved four main steps including, initial coding, categorization, grouping, and thematization. To enhance our understanding and gain rich insights from the data, both

researchers were involved in each stage of the process (Eisenhardt, 1989). This meant that analysis was conducted independently and subsequently compared so that inconsistencies could be deliberated and resolved.

In the first stage, sustainability reports were approached inductively to identify and code activities. In this part, we identified activities such as product design, reporting, and customer service. A total of 68 activities were identified and refined to 44 through comparison by the authors (see Appendix 2). In the second stage, our aim was to utilize the three dimensions of sustainability to facilitate categorization of retailing activities. Consequently, we revisited the coded data while referring to the three dimensions of sustainability – economic, social, and environmental (Purvis *et al.*, 2019). However, when trying to group activities, we found that many could not plausibly be placed in one category. Therefore, we extended our view of sustainability to include the 45 SBM design patterns (hereinafter referred to as patterns) and used them to categorize activities (Lüdeke-Freund *et al.*, 2018, 2022). The patterns aided our analysis as they provide guidelines for developing new or existing BMs with the aim of addressing

sustainability challenges (Lüdeke-Freund *et al.*, 2018, 2022). In the third stage, we identified the pattern type and grouped activities accordingly. There are three types of patterns including overarching (integrating major design principles), prototypical (providing guidelines for designing BMs), and modular (changing parts of a BM). In the final stage, we created themes that captured the nature of activities and patterns that came to light through the analysis. This enabled us to reveal the most salient patterns as well as those that are emerging. Overall, our analysis enabled us to gain a more nuanced view of how retailers’ activities address specific aspects of sustainability. Table 2 provides an example of the data analysis process.

Guided by our analysis, we created five propositions to guide traditional retailers when thinking about how they can address sustainability.

Findings

Our findings are divided into three sub-sections. First, we present the data to illustrate how retailers are using sustainable BM design patterns in their

Table 2.

Raw Data (Extract)	Coding: Activities	Categorisation: Patterns	Grouping: Pattern Type	Thematization: Themes
The plant-based veggie hot dog, introduced in August 2018, for example, sold over 10 million in its first year. Not only does the veggie hot dog prove that plant-based food can be an attractive option for the many if it's delicious and affordable, but it also has a climate footprint approximately seven times smaller than that of a classic hot dog.	Product development	Sustainable product design	Modular	Designing less impactful products

Table 2: Sample of the analysis

current operations. In this section, we share the key retailing activities we identified through the analysis and connect them to related patterns and themes. For clarity, we labelled these themes A1-4. Our analysis revealed that renewable resources and natural processes, product-oriented service, short supply chain, inclusive sourcing, green supply chain management, and sustainable product design patterns are present in retailing. Here, we highlight which activities are connected to which pattern for further elaboration in the discussion section. Second, we highlight which emerging patterns hold potential to transition existing RBMs toward more SRBMs. These emerging themes are labelled B1-3. Specifically, we emphasize the potential for certain patterns that show promise in terms of shifting towards sustainable retailing - subscription, online waste exchange platform, and industrial symbiosis. Third, we pose propositions for retailers that are in the early phase of their sustainability journey. Our aim is to provide retailers with insights from our study that will support them in proposing, creating and capturing more sustainable value.

Answering calls for sustainability – themes, key retailing activities, and patterns

In this section, we describe the logic on how retailers are currently addressing sustainability by using detailed key retailing activities identified through our analysis. Therefore, the intention is to give a snapshot of the current phase of sustainability in retail. Altogether, our analysis revealed 26 activities that together indicate six SBM design patterns are present. The patterns are lifted at the end of each theme.

A1. Reducing reliance on finite energy resources

Traditionally, economic activities rely on the usage of nonrenewable energy sources, such as fossil fuels and nuclear energy. As climate change has become an increasingly important topic, this places pressure on retailers to reduce their reliance on finite energy sources (Sachs *et al.*, 2021). Our analysis indicates that activities related to *energy management, setting standards, energy sourcing, energy production and electric car recharging* may provide solutions to participate in environmental value creation in an economically promising way.

Retailers are focusing on energy management in a bid to optimize energy usage, setting organizational standards to reduce energy consumption, and focusing on renewable energy sourcing from third-party providers:

"...we are implementing a variety of energy-saving measures, such as switching existing light fittings to LED lighting, removing night-time lighting in stores, and requiring the use of green electricity in our stores, warehouses, and offices."(Systembolaget)

In addition to sourcing renewables, interesting developments have taken place in terms of investing in energy production. This activity involves retailers taking on a new role as producers that generate electricity from renewable sources such as wind, hydropower, and/or solar. This enables retailers to diminish their dependency on the public electricity system, increasing their self-sufficiency in accessing, controlling, and optimizing energy costs:

"Our strong investment in solar energy has enabled us to become [...] largest producer of solar power over a short period of time. Most of the electricity we consume [...] is produced using emission-free wind power generated by 119 of our wind power plants."(S-Group)

"...renovated turbine that produces enough clean energy to supply 100 of our stores."(Kiwi)

Furthermore, as electric cars are growing in popularity, retailers are offering car owners the opportunity to recharge electric vehicles that use battery packs while visiting stores. Electric car recharging offers retailers a new revenue stream and enhances existing value creation through longer store visits and increased usage of other services. Moreover, customers are afforded time savings by being able to execute more tasks simultaneously, such as charging, shopping, and dining.

"For electric cars to gain popularity it is essential that the charging network is sufficiently extensive. Our K Charge network allows drivers to conveniently recharge their electric car while doing their shopping."(Kesko)

"By offering charging stations at many IKEA stores, customers are enabled to use electric cars and the IKEA business is part of encouraging the electrification of public transport."(IKEA)

When reflecting our findings against the existing literature, we see a connection to the 'renewable resource and natural processes' pattern for designing SBMs (Lüdeke-Freund et al., 2022). However, our data indicates that retailers are predominantly focusing on environmental value creation and are yet to fully exploit opportunities to create social value, such as enabling larger access to self-produced energy for consumers (e.g., accommodation), firms (e.g., suppliers or service providers), or other industries.

A2. Increasing the customer value of regular offerings

As sustainable products and services are often associated with additional perceived costs compared to less sustainable alternatives (Lüdeke-Freund et al., 2022), retailers play an important role in making sustainable shopping more attractive for customers. We found various activities including *consumer coaching, concept development, customer service, data protection, delivery, mobile app development, partnerships, product labelling, and product safety* that are used to increase customer value creation.

Ensuring products are safe for their intended use is clearly a priority. It is widely acknowledged in the data that product safety contains various activities, i.e., partnership with product quality and testing laboratories, recall procedures, and product labeling used to help consumers make purchasing choices and consume correctly. Due to digitalization, safety in the online environment such as data protection has also become increasingly topical.

"Digital safety is as important to us as that of our products and we are committed to provide world-class safety-by-design digital experiences that enable children to play and learn online in a secure environment". (Lego)

Concept development, specifically in the online context, is widely used for developing new ideas around

sustainability trends. Mobile app development provides consumers with access to extensive product information (e.g., origin, supplier or manufacturer, raw materials) and enables them to monitor their shopping behavior, diets, carbon footprint, recipes or manuals, and receive tips on how to reduce waste. Additionally, retailers have added a financial dimension when providing access to extensive insights.

"The food waste pages on K-ruoka.fi inform our customers on how to reduce food waste. The K-food mobile app helps our customers plan their grocery shopping by offering personalized benefits, store-specific offers, a smart shopping list and about 8,000 K-ruoka.fi recipes."(Kesko)

"Purchasing history from Trumf makes it possible to offer customers better information on purchases and diet. We find that this is what customers want, and we are therefore working on solutions that enable customers to compare their diet with the advice given by the authorities. They will also be able to see how their diet changes over time."(Kiwi)

Thus, the number of customer touchpoints continues to increase. This means that customer service as an activity is stretching the boundaries towards consumer coaching which enables retailers to inform, persuade, and remind target customers about sustainability.

"On the customer service side, this past year has seen us develop our online customer service chat function, and we have gone from 10 expert store workers to 25, from the north to the south of Sweden, answering customer questions. Our chat function has also been updated with a new design that makes it easier for our customers to get in touch with us."(Systembolaget)

Efforts to make more sustainable products attractive and encourage their uptake are related to the 'product-oriented service' pattern (Lüdeke-Freund et al., 2022). Product-oriented services enable retailers to supplement their existing product offerings. Usually, this refers to adding service instruments (e.g., insurance, advice, maintenance) that lower the

barriers to adoption. However, our analysis did not indicate how the generated insights are or can be leveraged to benefit society at large, for instance, by improving regulations or taxation.

A3. Making an impact through supply chain management practices

Supply chain management involves providing support to producers, business owners, or other groups at various points in the supply chain (Lüdeke-Freund et al., 2022). In the procurement process, we found a multitude of activities including *sourcing, product assortment, training, partnerships, policy making, auditing, and reporting* that offer opportunities for social and environmental value creation.

According to our data, retailers have focused extensively on keeping the supply chain short. One example is increasing the share of smaller and local suppliers' products in their product assortment. First, this requires a strategic decision to tap into less exploited production and seek competitive products against global supply.

"The local and small-scale range, that offers local products nationwide, is an important part of our offering, and the range now comprises almost 2,000 items, in comparison with 440 items in 2014, which is when we began a new way of working with this range. We will continue to develop our small-scale and local range in the future."(Systembolaget)

"Purchasing local products and services creates economic benefits for Kesko's home country and promotes local work. [...] Most of our purchases are made from suppliers operating in Finland."(Kesko)

While increasing the assortment of locally sourced products may offer certain benefits, participating in global procurement networks is mandatory to meet growing consumer demands. Therefore, it is becoming increasingly necessary to develop suppliers' capabilities further down the supply chain. In this regard, retailers have started committing to longer relationships and investing in training initiatives to support local employment, income creation, and innovation and growth.

"...working close together with our suppliers for many years, they visit them often and know them well. They also have experience in how to evaluate potential new suppliers when it comes to diverse sustainability issues. New suppliers are always evaluated by our Sustainability Officers as well."(Bergans of Norway)

"The Training for the Future coaching programme provides farmers and business owners with information about consumption trends, as well as support for strategy work and for running a climate-related business."(S-Group)

Furthermore, our analysis emphasizes activities that increase transparency in supply chain networks to reveal and attend to underlying social issues. In this regard, many retailers work with policy making, auditing, reporting, and establishing partnerships with relevant stakeholders to diminish the risk of unexpected scandals.

"We use our Supplier Sustainability Index (SSI) to track the impact of our supplier development and identify opportunities to work with suppliers to improve performance, beyond our supplier code of conduct (IWAY). The information and data collected is used to determine the footprint in the IKEA Sustainability report and the KPI Supplier Sustainability Index."(IKEA)

Here, we see that the related activities are connected to the short supply chain, inclusive sourcing, and green supply chain management (Lüdeke Freund et al., 2022). In this area, we see that the inclusive sourcing pattern requires retailers to extend their reach beyond their existing remit in order to provide opportunities for disadvantaged groups, for instance, with suppliers or manufacturers from developing countries (Lüdeke Freund et al., 2022).

A4. Designing less impactful products

As sustainability is increasingly becoming a factor that customers consider when buying products (Vadakkapatt et al., 2020), retailers have recognized the need to rethink how products are designed. In this area, retailers are pursuing *material selection, manufacturing methods, research, partnerships,*

product development, packaging, and recycling in a bid to create more sustainable products. The aim of which is to optimize the longevity and recyclability of products. In our data, we found examples of sustainable product design as a guiding principle from product inception:

"Every product is designed from the very beginning to be repurposed, repaired, reused, resold or eventually recycled."(IKEA)

While not all retailers are manufacturers, we found that through working in partnership with suppliers, many activities are pursued through the value chain. For instance, by focusing on material selection, manufacturing methods, and research, retailers are able to offer less impactful products:

"We have increased our use of recycled materials and started to implement certified wool and continue to use only certified or recycled down. We have increased the use of Bluesign materials and continue phasing out fluorocarbons. We have participated in microfiber research programs and in a European initiative on packaging and single-use plastics."(Bergans of Norway)

Growing consumer trends can also provide retailers with insights into new product development opportunities. The aim of which is to meet customer needs in an economically viable way.

"Not only does the veggie hot dog prove that plant-based food can be an attractive option for the many if it's delicious and affordable, but it also has a climate footprint approximately seven times smaller than that of a classic hot dog."(IKEA)

In addition to the focus on the product itself, product packaging has become an area in which changes can be made. Retailers reported that packaging alone accounts for a significant amount of their indirect environmental impact:

"We are implementing our own 'Plastic Principles' vis-à-vis our suppliers to ensure that more sustainable packaging is used for our own brands."(Føtex)

"Our requests for tender, for example, now include requirements for climate-friendly packaging."(Systembolaget)

Furthermore, designing a sustainable product requires consideration of its disposal to increase the chance that it will be recycled. As such, retailers have decided to support recycling initiatives through adding instructions on product packaging and locating recycling points in stores that are operated by third party-actors:

"We clearly indicate how the packaging should be separated and sorted as waste."(Føtex)

"[We] have a comprehensive network of Rinki eco take-back points for paperboard, glass, metal and plastic packaging."(S-Group)

We found that all the identified activities strongly relate to the 'sustainable product design' pattern (Lüdeke Freund et al., 2022). However, despite dedicated efforts in this area, we note that few activities are yet to offer financial gains and in many cases even result in increased costs.

A glimpse to the future - emerging themes, activities, and patterns

As aforementioned, transitioning towards sustainability requires a re-evaluation of business logic, appointing the need to review the existing business model (Dyllick and Muff, 2016). In this section, we provide a few potential examples of such transitions. Nevertheless, it is important to note that these examples are not presented with the aim of being prescriptive or to serve as 'solutions', but rather as hints towards the future direction of sustainable retail. The emerging examples rely on subscription, online waste exchange platform, and industrial symbiosis SBM design patterns.

B1. Providing customer access

The subscription business model design pattern is often used when it is hard to reach a stable and profitable customer base due to uncertain demand and discontinuous revenues. Recently, IKEA launched a service related to its investments and pursuits in the energy field which involves providing customers access to renewable energy. The subscription-based

model offers customers an option to access renewable energy, receive lower energy costs, and decrease the usage of nonrenewable energy sources. By integrating IKEA products with the service, the aim is to generate new revenue streams for the firm while also facilitating additional sales.

“For those who live in apartments, or who can’t afford the upfront investment in their own solar panel system, or where regulations might prevent such installations, new solutions such as a clean energy subscription offer are being explored. This offer will help customers access renewable electricity and guide them to other relevant services like efficient heating and cooling solutions, LED bulbs or kitchen appliances.”(IKEA)

B2. Extending existing markets

As multisided platforms are becoming more common across a wide range of industries (Brenner, 2018), another example can be observed in grocery retailing, in which digital tools have been used to reduce food waste. The digital platform seeks to connect waste producers and buyers by intermediating transactions in a scalable network and providing secure payments to minimize perceived risk. As is commonly known, store demand cannot be fully predicted due to customers’ subjective purchase decision making. In Finland, a third-party provider offers a service which enables customers to seek, find, and buy products being close to their best-before dates from stores. As a result, customers can receive a price reduction of up to 50%. In selected Kesko stores, one sixth of waste has been reduced, which recoups losses and reduces waste management costs. Furthermore, food redistribution (i.e., using it for its intended purpose but through another channel) is the second most preferable option (after no waste at all) in the food waste management process as it means no additional resources need to be used in its disposal (Salemdeeb et al., 2016).

“With the ResQ Club waste food app, stores can sell food products nearing their expiry dates to consumers. This operating model reduces the store’s waste, and at the same time customers have the opportunity to buy food at reduced prices.”(Kesko)

B3. Connecting industries

Furthermore, larger-scale industrial symbiosis focuses on creating ecosystems where firms from various industries work together, share investments, and create technical and economic synergies to optimize material flows and reduce waste. Hence, to leverage waste and underutilized resources, the solution should be economically viable for all participants. Another example from Finland showcases the benefit of recycling waste. S-Group is a multi-industrial retailer serving customers, for instance, through grocery, fuel stations, as well as the travel and hospitality businesses. The biowaste (e.g., bread and deep-frying oil) and other residue are collected from stores and restaurants as raw materials in producing Eko E85 fuel. Afterwards, the fuel is sold through service stations to the firm’s customers.

“Of the raw materials of purchased biofuels, 77% were based on waste or residue. Part of the bio-waste used as raw material is collected from S Group’s own locations.”(S-Group)

Our findings underscore retailers’ activities at the intersection of sustainability dimensions. Specifically, enabling customer access to green energy, diminishing in-store food waste, and recycling efforts across industries hold potential. Accordingly, such initiatives demand the execution of a range of interconnected activities including *investing, energy production, concept development, product development, mobile app development, pricing, recycling, reclaiming products, partnerships, and waste repurposing*. Though these undoubtedly show a shift in typical retail activities, it is less certain if they force changes in RBMs. However, what is clear is that necessary changes demand a re-evaluation of existing retail formats, governance, and activities. See Table 3 for a summary of the findings.

Moving towards sustainability - five propositions for traditional retailers

Over the past decades, sustainability has become a prominent trend that has made its way into the public eye and remains prevalent in corporate value propositions. Multiple acronyms, such as ESG, GSDRs or CSR have been developed as frameworks that aim to capture this phenomenon (Nordic Business

Table 3.

	Themes	Activities	Patterns
Key retailing activities and patterns	A1. Reducing reliance on finite energy resource	<ul style="list-style-type: none"> • Energy management • Setting standards • Energy sourcing • Energy production • Electric car recharging 	Renewable resources and natural processes
	A2. Increasing the customer value of regular offerings	<ul style="list-style-type: none"> • Consumer coaching • Concept development • Customer service • Data protection • Delivery • Mobile app development • Partnerships • Product labelling • Product safety 	Product-oriented service
	A3. Making an impact through supply chain management	<ul style="list-style-type: none"> • Sourcing • Product assortment • Training • Partnerships • Policy making • Auditing • Reporting 	Short supply chain Inclusive sourcing Green supply chain management
	A4. Designing less impactful products	<ul style="list-style-type: none"> • Material selection • Manufacturing methods • Research • Partnerships • Product development • Packaging • Recycling 	Sustainable product design
Emerging activities and patterns	B1. Providing customer access	<ul style="list-style-type: none"> • Concept development • Energy production • Investing 	Subscription
	B2. Extending existing markets	<ul style="list-style-type: none"> • Product development • Mobile app development • Pricing • Reclaiming products 	Online waste exchange platform
	B3. Connecting industries	<ul style="list-style-type: none"> • Investing • Partnerships • Recycling • Waste repurposing 	Industrial symbiosis

Table 3: Summary of the findings (patterns originate from Lüdeke-Freund et al., 2018, 2022)

Forum, 2023). While these frameworks serve as rough guidelines for sustainability, they fail to clarify what is expected of retailers due to the lack of context. As a result, mainstream retailers opt for short term, ad-hoc marketing-oriented initiatives to earn their social license to operate. This may be, at least partly, why firms have been accused of avoiding participation in societal and environmental problem solving (Bansal and Desjardine, 2014). To avoid this shortcoming and adopt a longer-term perspective, we present propositions derived from the data that aim to help traditional retailers in the early stages of their journeys towards sustainability.

Proposition 1. Writing the lyrics of sustainability

In line with Jones and Comfort (2019), our exploration also uncovered a surprising lack of sustainability definitions. According to the data, only one of the retailers under scrutiny provided a definition of a sustainable product. Rather than telling strategic action points, a good definition should include explanations of how and why something is. Defining what sustainability really means for a retailer will provide a background for the strategy process. Consequently, a starting point for strategizing sustainability demands that retailers write the lyrics of sustainability as it relates to them.

Proposition 2. Communicating the mission

While retailers are slowly pushing customers towards making more sustainable choices, firms can go further by taking a stance on challenges faced by society and actively promote initiatives that seek to address them. In addition to providing access to more sustainable product assortment, affordable pricing, attractive promotions and supportive services, another powerful tool is to make public commitments (Ocasio and Radoynovska, 2016). For instance, the nutrition commitment clearly articulates a retailer's aim to support healthier lifestyles of their key customer groups. Furthermore, commitments said aloud not only engage firms, but also communicate its mission to a wider audience base and can create healthy rivalry among competitors.

Proposition 3. Gaining control through pursuing circular objectives

So far, we see that markets that support sustainable consumption are only partially developed, with

retailers opting for ad-hoc value creation opportunities over more complex changes in the business model (Blom *et al.*, 2023). As knowledge about opportunities related to the circular economy rapidly increases, we see that retailers can influence the design of products, manufacturing methods, and use sourcing guidelines to favor more sustainable methods, as well as seeking ways to extend product life cycles. Consequently, pursuing circular objectives can enable retailers to extend their control of different actors in the retail value chain.

Proposition 4. Starting with employees

As employees heavily influence customers, focusing on workers shows promise to increase customer value. Retailers who wish to attract and retain employees must recognize the growing trend for workers to seek employment with firms that offer good working conditions and focus on creating value for society (Whelan and Fink, 2016). Accordingly, being an attractive employer requires retailers to take on broader responsibility for human welfare and enable a decent standard of living. To enhance customer relationships, retailers should avoid employee turnover by investing in training, setting standards, and human resource management. This proposition indicates that employees are an important starting point when pursuing sustainability.

Proposition 5. Commercializing sustainability

Sustainability is a huge issue that requires more sustainable products, technologies, and innovative ways of doing things. However, the challenge is to motivate people to change their consumption habits. Firms that can find solutions to accelerate the speed of change, may find ways to commercialize sustainability and enjoy new revenue streams. Hence, enabling customers to make more sustainable choices becomes increasingly important (Blom *et al.*, 2023). Therefore, retailers should put emphasis on value creation and capture in all customer phases such as searching, transacting, and using. For instance, in the search phase, insights gathered online can be sold to suppliers, policy makers, or other firms.

These five propositions provide general suggestions that can support mainstream retailers in taking advantage of learnings from the pioneers (see Denyer

et al., 2008). The first focuses on connecting strategy and RBM design; the second on proposing value; the third and the fourth on creating value; and the fifth on capturing value. While each proposition alone can plant the seed and serve as a source of competitive advantage, combinations show promise for even greater opportunities. It should be noted that while the propositions are valid in retailing generally, the implications may vary between businesses within diverse product areas or distinct RBMs.

Discussion and Conclusions

The purpose of this study was to identify activities that retailers are undertaking in their current efforts to address sustainability. Our research explores how a megatrend that has widespread influences on markets is adopted by commercial actors. By analyzing sustainability reports, we were able to identify activities and reveal prominent patterns in the retail market. Our findings indicate that retailing is still far from performing sustainable activities, particularly, when considering the main characteristics of SBMs (Lüdeke-Freund *et al.*, 2018). While our findings indicate that retailers are following trends in the market, a prevailing question remains - have retailers shifted from traditional notions of value creation that centralize the customer and shareholders to more comprehensive and stakeholder-inclusive notions? (Lüdeke-Freund *et al.*, 2020). In most cases, we found that retailers struggled to decouple economic growth from environmental and social value creation. For instance, a common activity retailers framed as sustainable are their efforts to broaden the product assortment by offering healthier products. If adopting a critical perspective, one can ask if this is driven by the desire to be sustainable or due to consumer trends to move towards healthier options (e.g., meat-free alternatives) (e.g., Gheihman, 2021). Hence, one can question if the rationale for this activity is about changing the value logic or about generating new revenue streams. While we agree that business must be financially viable and therefore economic concerns remain prevalent, it seems that the organizational shift towards creating value for the common good will require more than performing activities that align with business interests (Dyllick

and Muff, 2016). For instance, retailers can look further down the supply chain to create social and environmental value. By using existing resources, they can support suppliers to improve working conditions and reduce their environmental impact at source. While in the short term, retailers would incur more costs by working in this way, in the long-term, retailers may benefit through securing stable workforce in the supply chain, increasing the quality of products, minimizing non-conformances, and reducing their carbon offsetting costs.

This research makes one methodological and three theoretical contributions. Firstly, it is advocated that contributions can be made by connecting two different research domains in order to generate new insights (Thatcher and Fisher, 2022). This was achieved by connecting the literature on RBMs and SBMs with activities serving as the bridge between the two. As a result, our study is among the earliest in retail to reveal concrete ways in which retailers address sustainability. However, the study showed that only a handful of design patterns currently dominate, leading to the conclusion that retailers in general are far away from considering sustainability goals at the core of their business model design. Connecting the literature streams further enabled us to make a methodological contribution by demonstrating how activities, patterns, and themes can be used to uncover how sustainability is being addressed by firms and in markets. Secondly, exploring the ways in which sustainability is addressed in a specific market revealed that retailers are more likely to create new activities instead of destroying existing ones (Hahn *et al.*, 2018; Dyllick and Muff, 2016). This most likely leads to modular business model development that significantly restricts sustainable value creation opportunities (Lüdeke-Freund *et al.*, 2018). Thus, retailers are yet to integrate overarching and prototypical pattern types into their business model design. We see similar developments within other megatrends in retailing, such as digitalization (see Hokkanen *et al.*, 2020). Hence, transitioning towards sustainability may require a re-assessment of all the RBM elements, (i.e., format and governance) in addition to activities. Thirdly, during industry history, retailers have served in multiple roles such as manufacturers and logistic operators and can currently be considered service providers.

However, based on the retailers' unique place in the value chain, our study shows that retailers should be considered as change agents. There exist plenty of business opportunities beyond transacting products that retailers have yet to grasp. For instance, insights generated from the data illustrate huge potential for social value creation.

This study also presents several managerial implications. First, to become a meaningful and achievable goal, sustainability should be integrated into corporate strategy. This demands owners, management, and other stakeholders to select sustainability as a key development area and be willing to make necessary investments. Secondly, while our findings indicate that retailers have adopted activities that enable more sustainable value creation, such value can hardly be delivered or captured through current RBMs. Hence, to aid transitioning towards sustainability we provided five propositions aiming to help traditional retailers to move forward in their sustainable journeys. We propose that retailers should focus on writing the lyrics of sustainability, communicating the mission, gaining control through pursuing circular objectives, starting with employees, and commercializing sustainability. Lastly, although retailers hold a unique position in the supply chain, our findings highlight that being more sustainable cannot be achieved alone. Many key activities that move towards sustainability revolve around collaboration and partnerships. Consequently, retailers can benefit from assembling a strategic network of suppliers,

manufacturers, and external organizations (probably previously considered irrelevant) to collaborate for developing new business models.

Limitations and directions for future research

As with any research, limitations emerge and should be presented for interpreting the findings, some of which also provide interesting research opportunities. First, our data was gathered from a specific geographic area and included retailers that are perceived as sustainability pioneers. Thus, our findings do not represent a comprehensive view of retailing, which opens an opportunity for replication studies in other markets (e.g., the U.S. or China). The second limitation relates to the methodology. As we focused on one specific element of the RBM (i.e., activities), the impacts on format and governance were not fully addressed, leaving room for further studies to scrutinize other RBM elements. Another limitation stems from our focus on a certain period which means that we were able to provide a snapshot, but not the full picture. For instance, we were not able to understand progress that has taken place over time or causal connections of past events to current developments within selected retailers. Hence, there exists an opportunity to take a deep dive to better understand retailer's internal incentives to address sustainability by taking a historical perspective. Another research opportunity lies in connecting activities and less dominant design patterns. This could reveal interesting insights about how RBMs could be modified in order to place sustainability at the core.

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Firm and SBI ranking	Key characteristics of RBM				
	Mission and CVP	RBM archetype and appropriation	Format and assortment	Key activities	Differentiative feature
Føtex is a privately owned Danish retailer that was founded in 1960 (17)	Mission: to supply high-quality, fresh food for customers' daily needs. CVP: We open a whole new world for gourmets and customers who appreciate high-quality food.	Traditional retailer role, product-based business model focusing on selling items produced by others. Gaining revenue mainly from transaction-based margins.	Self-service oriented supermarket concept with 90 marketplaces selling food, non-food, and other household merchandise to individual consumers.	Procurement and supplier management, logistics, store operations, promotions, and marketing.	Being the first retailer bringing non-food assortment (electronics, clothes, perfumes, books etc.) into a food-oriented store concept in Denmark.
Lego is a privately held Danish company that was established in 1932	Mission: Inspire and develop children to think creatively, reason systematically and release their potential to shape their own future. CVP: Enables experiencing the endless human possibility.	Multi-role firm acting as manufacturer, wholesaler, and retailer with product-based business model selling items manufactured by the firm itself to businesses and individual customers.	In addition to the wholesale channels, through which they sell plastic construction toys to retailers, the firm has its own physical store network and ecommerce sales channel.	Product design, manufacturing, supply chain, marketing, key account management, sales, and store operations.	Lego pieces are unique as they can be assembled and connected in many ways, inspiring individuals of every age.
Kesko is a publicly owned Finnish retail company founded in 1940 (12)	Mission: We create wellbeing for all our peer groups and for the whole of society sustainably. CVP: Our customers can always trust that we enable them to make responsible choices.	Acting as a traditional retailer through a product-based business model. Appropriation is enabled by transaction-based margin from selling items produced by others.	The firm operates through a store network of 1200 including 4 main grocery concepts (neighbourhood, supermarket, hypermarket concepts and ecommerce).	Procurement and supplier management, logistics, store operations, promotions, sales and marketing, merchant relationship management.	Known from its K-merchants as retailer entrepreneurs working closely with Kesko's divisions.
S-Group is a Finnish cooperative company that was founded in 1904 (2)	Mission: To make Finland a better place to live. CVP (or owner value proposition): We produce Co-Op members with competitive services and benefits profitably.	Acting as a traditional retailer with a product-based business model focusing on selling items produced by others. Gaining revenues from transaction-based margin.	Focusing on a grocery, consumer goods and fashion trade through 4 main store concepts (neighbourhood, supermarket, hypermarket, and department store) within a network of 1,800 outlets and ecommerce	Procurement and supplier management, logistics, store operations, promotions, sales and marketing and cooperative relationship management	Increased its popularity by being the only grocery retail co-op in Finland and from launching a differentiative loyalty program which enabled the firm to gain a strong position among families

Appendix 1: Business model characteristics of the scrutinised retailers. (Continued)

Firm and SBI ranking	Key characteristics of RBM				
	Mission and CVP	RBM archetype and appropriation	Format and assortment	Key activities	Differentiative feature
Bergans of Norway is a privately owned Norwegian retailer that was established in 1908 (11)	Mission: To let people experience the outdoors. CVP: we provide outdoor equipment for pioneers throughout a century of adventures.	The firm acts as a wholesaler and a retailer. Operates a product-based business model with a focus on selling items manufactured by outsourced factories (strong role in product design) to businesses and individual customers	The store network of eight provides a flagship store, and outlets. The bulk of sales are coming through other retail companies and are distributed by three trusted partners.	Product design, supply chain, marketing, manufacturing management, key account management, sales, and store operations	Innovative marketing and branding, "Believe in tomorrow, explore today", in which famous polar explorers such as Amundsen and Scott have used a firm's patented backpack on their expeditions.
Kiwi is a privately owned Norwegian retailer founded in 1979 (1)	Mission: Our core business is retail operations in everyday consumer goods that meet customer needs. CVP: The products people want delivered efficiently to all parts of the country.	Holds a traditional retailer role with a product-based business model that focuses on selling items produced by others. Gaining revenues from transaction-based margin.	Focusing on FMCG products through 650 supermarket stores.	Procurement and supplier management, logistics, store operations, promotions, and marketing	Recognized for its discount-oriented pricing strategy, which differentiates the firm in a relatively high price market.
IKEA is a privately owned Swedish retailer established in 1943 (1)	Mission: To create a better everyday life for the many people. CVP: We offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.	Adopts the role of a manufacturer and retailer. The product-based business model is focusing on selling items designed and produced by a firm itself to individual consumers. Gaining revenue from transaction-based margin.	Focusing on selling ready-to-assemble furniture and interior decoration products through 20 specialty stores in Sweden built on the idea of a layout that holds fixed customer paths, providing an offering of 9500 products.	Product design, manufacturer management and control, supply chain management, store operations and marketing'.	Known especially for its democratic design emphasising simplistic modernism and paying attention to cost control, operational details, and continuous product development.

Appendix 1: Business model characteristics of the scrutinised retailers. (Continued)

Firm and SBI ranking	Key characteristics of RBM				
	Mission and CVP	RBM archetype and appropriation	Format and assortment	Key activities	Differentiative feature
Systembolaget is a government-owned Swedish retailer that was established in 1955 (8)	<p>Mission: We are there for everyone in Sweden and our purpose is to limit the harmful effects of alcohol in society.</p> <p>CVP: We shall, responsibly and with a high standard of service, sell alcoholic drinks and alcoholic non-beverage preparations, and provide information on the harmful effects of alcohol.</p>	The firm acts as a portal for private companies selling alcohol on the Swedish market. Product based business model is based on selling items manufactured by others. Gaining revenue mainly from transaction-based margin.	The firm sells alcoholic beverages that contain more than 3.5% alcohol by volume through 441 liquor store locations. The offering contains products from 5000 producers.	Sourcing and supplier management, supply chain, store operations, customer service and social relationships.	Retailer holds a regulatory monopoly position in the Swedish market.

Appendix 1: Business model characteristics of the scrutinised retailers.

Activity	Systembolaget	IKEA	KIWI	Bergans of Norway	Føtex	Lego	Kesko	S-Group
Auditing – an inspection and evaluation of industry practices in relation to sustainability	✓	✓		✓	✓	✓	✓	✓
Campaigning – an organised effort to influence customers to make more sustainable choices		✓					✓	✓
Concept development – developing new ideas around sustainability trends	✓	✓	✓	✓			✓	✓

Appendix 2. Distribution of retailers' activities identified in the sustainability reports. (Continued)

Activity	Systembolaget	IKEA	KIWI	Bergans of Norway	Føtex	Lego	Kesko	S-Group
Consumer coaching – informing, persuading and reminding target customers about sustainability	✓	✓	✓	✓	✓	✓	✓	✓
Carbon offsetting – the process of offsetting CO2 emissions arising from business activities	✓	✓		✓		✓	✓	✓
Customer service – offering assistance and advice around sustainability to customers	✓		✓				✓	✓
Data protection – the process of safeguarding personal information from corruption, compromise, or loss	✓	✓	✓				✓	✓
Delivery – the act of delivering goods, materials, or waste in a manner that has the least negative environmental impact	✓	✓	✓				✓	
Displaying of products – a fixture in the store used to attract customers towards more sustainable products	✓	✓			✓			✓
Donations – the act of making a gift to a charity, community, or public institution			✓		✓	✓	✓	✓
Electric car recharging – providing equipment for electric vehicles that use battery packs		✓	✓				✓	✓

Appendix 2. Distribution of retailers' activities identified in the sustainability reports. (Continued)

Activity	Systembolaget	IKEA	KIWI	Bergans of Norway	Føtex	Lego	Kesko	S-Group
Energy production – producing electricity generated from renewable sources such as wind, hydropower, or solar			✓			✓	✓	✓
Energy management – the process of optimising energy usage	✓	✓	✓	✓	✓	✓	✓	✓
Energy sourcing – the process of acquiring renewable energy from an energy supplier or distribution company	✓	✓	✓	✓		✓	✓	✓
Hosting events – organising events, conferences, or meetings that promote sustainability	✓	✓			✓	✓	✓	✓
Human Resource Management – the practice of recruiting, hiring, and managing an organisation’s employees in a sustainable way	✓	✓	✓	✓	✓	✓	✓	✓
Investing – putting money into financial schemes, shares, or a commercial venture that support sustainability	✓	✓	✓	✓	✓	✓	✓	✓
Logistics – the process of planning and executing transportation and storage of goods in the least impactful way	✓	✓			✓		✓	✓

Appendix 2. Distribution of retailers’ activities identified in the sustainability reports. (Continued)

Activity	Systembolaget	IKEA	KIWI	Bergans of Norway	Føtex	Lego	Kesko	S-Group
Material selection – a process by which engineers can choose more sustainable materials for products		✓		✓		✓	✓	✓
Manufacturing method – improving or influencing the process of how a product is made to make it more sustainable	✓	✓	✓	✓	✓	✓	✓	✓
Mobile App Development – creating smartphone software that address social and environmental issues		✓		✓	✓		✓	✓
Packaging – selecting materials used to wrap or protect goods that are less harmful to the environment	✓	✓	✓		✓	✓	✓	✓
Partnerships – two or more actors who combine their resources to address sustainability related issues	✓	✓	✓	✓	✓	✓	✓	✓
Policy Making – creating a procedure, action, incentive, or practice related to sustainability that external stakeholders should obey	✓	✓	✓	✓	✓	✓	✓	✓
Pricing – encouraging sustainable consumption by lowering the cost of a product or service or increasing the cost to benefit the producers	✓	✓	✓		✓		✓	✓

Appendix 2. Distribution of retailers' activities identified in the sustainability reports. (Continued)

Activity	Systembolaget	IKEA	KIWI	Bergans of Norway	Føtex	Lego	Kesko	S-Group
Product assortment – offering a range and variety of sustainable products	✓	✓	✓		✓		✓	✓
Product labelling – displaying sustainability related credentials and information on product packaging	✓		✓		✓		✓	✓
Product design – reimagining and recreating existing products to address specific sustainability related needs in the market		✓	✓	✓		✓		✓
Product development – conceptualising, designing, developing, and marketing a newly created product to address a sustainability related need		✓	✓	✓	✓	✓		✓
Product Safety – ensuring products are safe for its intended use	✓	✓	✓		✓	✓	✓	✓
Promotions – a marketing strategy aimed at attracting attention to a sustainability related product or service			✓					✓
Reclaiming products – recovering products and materials that can be processed or re-processed to create a usable product		✓		✓				

Appendix 1: Business model characteristics of the scrutinised retailers. (Continued)

Activity	Systembolaget	IKEA	KIWI	Bergans of Norway	Føtex	Lego	Kesko	S-Group
Recycling – collecting or processing materials that would otherwise be waste and turning them into new products		✓	✓	✓	✓	✓	✓	✓
Reporting – publishing information on a firm's outcomes, results, and goals related to its sustainability performance	✓	✓	✓	✓	✓	✓	✓	✓
Research – a scientific study conducted that addresses specific sustainability issues	✓	✓	✓	✓	✓		✓	✓
Returns – taking back products that have previously been purchased by customers		✓		✓				
Sourcing – integrating sustainability performance factors into the process of selecting suppliers	✓	✓		✓	✓	✓	✓	✓
Setting standards – establishing a required level of sustainability related performance in certain areas across an organisation	✓	✓		✓	✓	✓	✓	✓
Store renovations – decorating, remodelling, modernising, or making installations to a store that contribute towards its sustainability goals		✓	✓		✓		✓	✓

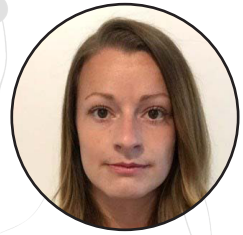
Appendix 2. Distribution of retailers' activities identified in the sustainability reports. (Continued)

Activity	Systembolaget	IKEA	KIWI	Bergans of Norway	Føtex	Lego	Kesko	S-Group
Supply chain management – considering the environmental and human impact when managing the entire production flow of goods and services	✓	✓	✓	✓	✓	✓	✓	✓
Taxes – supporting society by paying a fair contribution of income to the government	✓				✓		✓	✓
Training – the process of supporting the learning and development of skills of personnel	✓	✓	✓	✓	✓	✓	✓	✓
Waste management – managing waste from its inception to its final disposal in the least impactful way for the environment	✓	✓	✓		✓	✓	✓	✓
Waste repurposing – giving new use for a product than that for which it was originally intended		✓						✓

Appendix 2. Distribution of retailers' activities identified in the sustainability reports. (Continued)

About the Authors

M.Sc. Charlotte Walker is a PhD student at the Department of Management and Organization at Stockholm School of Economics, Sweden. Her research focuses on how organizations adapt to megatrends, specifically, how they develop dynamic capabilities, business models, and strategies for digitalization and sustainability.



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