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TĂNG CƯỜNG MUA SẮM BỀN VỮNG VÀ BÀI HỌC CHO CÁC DOANH NGHIỆP BÁN LẺ VIỆT NAM: NGHIÊN CỨU TRƯỜNG HỢP CỦA IKEA

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Tóm tắt

Nghiên cứu này điều tra các hoạt động mua sắm bền vững trong các doanh nghiệp bán lẻ tại Việt Nam thông qua nghiên cứu về IKEA, doanh nghiệp hàng đầu thế giới về mua sắm bền vững. Bằng cách phân tích các chiến lược, quy trình và kết quả của IKEA, nghiên cứu này nhằm mục đích xác định những bài học quan trọng có thể áp dụng cho các doanh nghiệp bán lẻ tại Việt Nam. Thông qua phân tích, nghiên cứu phát hiện ra các yếu tố quan trọng như tìm nguồn cung ứng chiến lược và sự tham gia của các bên liên quan ảnh hưởng đến hoạt động mua sắm bền vững. Những phát hiện này góp phần nâng cao kiến thức về mua sắm bền vững và cung cấp những hiểu biết sâu sắc nhằm gia tăng tính bền vững cho các nhà bán lẻ Việt Nam.

Từ khóa: mua hàng bền vững, IKEA, các doanh nghiệp bán lẻ.

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ENHANCING SUSTAINABLE PROCUREMENT AND LESSONS FOR VIETNAMESE RETAIL FIRMS: A CASE STUDY OF IKEA

Abstract

This research investigates sustainable procurement practices within Vietnamese retail firms through a case study of IKEA, a global leader in procurement sustainability. By analyzing IKEA's strategies, processes, and outcomes, this research aims to identify key lessons applicable to

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Vietnamese retail firms. Through analysis, the study uncovers critical factors such as strategic sourcing and stakeholder engagement that affect sustainable procurement. The findings contribute to advancing sustainable procurement knowledge and offer actionable insights for enhancing sustainability for Vietnamese retailers.

Keywords: sustainable procurement, IKEA, retail firms.

1. Introduction

1.1. Rationale

The procurement practices of retail firms play a crucial role in achieving sustainability goals, yet there remains a significant gap in understanding the mechanisms through which sustainable procurement can be effectively implemented, particularly within the context of Vietnamese retail firms. This research aims to address this gap by conducting a case study of IKEA, a global leader in sustainable procurement practices, and extracting lessons that can be applied to enhance sustainability efforts within Vietnamese retail firms.

Currently, the literature on sustainable procurement predominantly focuses on large multinational corporations in developed countries, with limited attention given to the unique challenges and opportunities faced by retail firms in emerging markets like Vietnam. Furthermore, while IKEA is often cited as a pioneering example of sustainable procurement practices, there is a lack of detailed analysis regarding the specific strategies and mechanisms employed by IKEA to integrate sustainability into its procurement processes.

By conducting a comprehensive case study of IKEA's sustainable procurement practices, this research seeks to fill these gaps in the literature and provide actionable insights for Vietnamese retail firms aiming to enhance their sustainability performance. Specifically, this research will explore the key drivers, challenges, and outcomes associated with IKEA's sustainable procurement initiatives, with a focus on identifying transferable lessons and best practices that can be adapted to the Vietnamese context.

The significance of this research lies in its potential to inform and guide Vietnamese retail firms in developing and implementing effective sustainable procurement strategies, thereby contributing to the broader goal of promoting environmental and social sustainability within the retail sector. By leveraging the insights gained from IKEA's experiences, this research aims to empower Vietnamese retail firms to adopt more sustainable procurement practices, ultimately leading to positive environmental and social impacts at both the local and global levels.

1.2. Literature Review

In studies on the topic of sustainable procurement, the level of analysis often lacks generality. Specifically, research efforts tend to concentrate on a singular aspect of sustainable procurement or focus solely on analysis within a single country or region. Therefore, within the scope of this research, the authors have selected research papers characterized by a high level of generality and relevance to the study. These research papers serve as foundational works for the current research paper and facilitate a deeper analysis of the IKEA case study, as well as the potential for transferability to retail businesses in Vietnam.

Table 1. Related previous researches

Research	Objective	Research method	Achievement	Potential Development
SUSTAINABLE PROCUREMENT: Concept, and Practical Implications for the Procurement Process (Matthew Kalubanga, 2012)	To review the concept of sustainable procurement, discuss the practical implications of sustainable procurement practices, and identify gaps that will inform future research endeavors.	Qualitative Analysis	The research has thoroughly analyzed the importance of sustainable procurement and explained how organizations can benefit from adopting Sustainable Procurement Policies. It also explored practical ways to apply sustainable procurement and provided clear criteria for measuring how well businesses are doing in this area.	One potential area for further development from the research is the creation of specific scoring criteria to assess a business's ability to implement sustainable procurement effectively.
"Sustainable Procurement Practice" by Joanne Meehan and David Bryde (2011)	To analyze the procurement practice in business firms	Survey-based approach, Quantitative Analysis	Firstly, it comprehensively analyzed the implementation of sustainable procurement practices within businesses, shedding light on their operational behavior in this regard. Additionally, the study effectively identified the drivers of sustainability within the specific business contexts, thereby providing valuable insights into the factors influencing sustainable procurement adoption. Furthermore, it highlighted the challenges encountered by businesses during the implementation process, offering a realistic portrayal of the obstacles they face. Lastly, the research collected valuable feedback data through a survey-based approach, enriching the study with empirical evidence and enhancing its credibility.	The paper can be further improved by assessing detailedly each practice impact on the supply chain sustainability as a whole as well as the function of procurement independently.

"Do Sustainable Procurement Practices Improve Organizational Performance?" by Md. Mazharul Islam, Abalala Turki, Md. Wahid Murad, and Azharul Karim (2017)	To investigate the impacts of sustainable procurement practices on organizational performance, utilizing established scales for sustainable procurement practices and organizational performance metrics, with a focus on Saudi Arabia as the case country.	Survey-based approach, Quantitative Analysis.	From the preliminary results, a significant association between sustainable procurement practices and organizations' financial performance was found. A mediational analysis was conducted to discover the direct and indirect effects of sustainable procurement practices on financial performance. The study did not find significant evidence indicating a direct influence of summarized sustainability practices on financial performance. However, it did identify a statistically significant indirect effect of sustainable procurement practices on financial performance through their impact on organizational nonfinancial performance.	The estimation of organizational development following the implementation of sustainable development varies across different countries and regions.
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Source: Author's compilation

In these studies, the significance of sustainable procurement for businesses, society, the economy, and the environment has been delineated. Both in the private and public sectors, there is mounting pressure from customers, clients, governments, and the general public to adopt sustainable procurement practices. Organizations that engage in sustainable procurement do not base their procurement decisions solely on private cost-benefit analyses; rather, they aim to maximize net benefits for both themselves and the broader world (Matthew Kalubanga, 2012). To achieve this, they must integrate extrinsic cost considerations into their decision-making process alongside the conventional procurement criteria of price and quality.

1.3. Research objectives

Our primary goal is to understand and analyze IKEA's approach to sustainable procurement, examining their key focus areas. We aim to evaluate the effectiveness of their strategy, assessing its impact on their environmental and social performance, economic benefits.

By learning from IKEA's experience, we aim to extract key lessons and best practices that can be adopted by Vietnamese retail firms. We will consider the specific context and challenges they face, developing practical recommendations for enhancing their own sustainable procurement strategies.

1.4. Research methods

To delve into the heart of IKEA's sustainable procurement strategy and its applicability to Vietnamese retail, we will analyze secondary data by employing a multi-pronged approach. Firstly, a

meticulous analysis of IKEA's official documents, encompassing sustainability reports, policies, and case studies, will be undertaken. This comprehensive examination will be augmented by insights gleaned from the reports and publications of reputable organizations, such as industry associations, government agencies, and non-governmental organizations. Furthermore, to enrich the existing knowledge base, a review of existing research on sustainable procurement in the retail sector, encompassing both global and Vietnamese contexts, will be conducted.

2. Theoretical framework

2.1. Definition of Sustainable Procurement

2.1.1. Definition of Procurement

Procurement involves the acquisition or purchasing of goods or services, often for business purposes. It is predominantly linked with businesses, as companies need to seek out services or procure goods, usually on a considerable scale. They may participate in procurement as buyers or sellers, although our emphasis here is on the perspective of the purchasing company (Yound, J., 2024).

In essence, the procurement process entails several key activities, including purchase planning, determining standards and specifications, conducting supplier research, selecting vendors, negotiating prices, arranging financing, and managing inventory. Consequently, successful procurement in many large companies necessitates collaboration across multiple departments. The procurement process can be broken down into the following steps:

- Identifying the goods and services required
- Initiating a purchase request and soliciting quotes from different suppliers
- Negotiating a price and establishing a contract with the chosen vendor, followed by generating a purchase order
- Receiving the shipment of goods or services and verifying their quality and quantity
- Submitting payment to the vendor

2.1.2. Definition of Sustainable Procurement

In the realm of procurement and supply chain management, sustainability involves making decisions that benefit not only the organization but also society at large, while minimizing adverse effects on the environment. This entails considering social and environmental factors in addition to purely financial and economic considerations. (Manutan, 2022)

From the perspective of a buyer, sustainable procurement entails a delicate balance of three fundamental principles: (1) *Environmental considerations* which encompass concerns related to eco-friendliness, energy efficiency, waste reduction, product durability, and the preservation of natural resources. (2) *Ethics and societal impact* involves upholding human rights, ensuring fair labor practices, fostering inclusivity and diversity, and promoting social well-being within supply chains. (3) While sustainability is a priority, buyers must still weigh *economic factors* such as cost-effectiveness, product quality, and meeting delivery deadlines to ensure business viability.

2.2. Benefits of Sustainable Procurement

It is manifestly clear that the implementation of a sustainable procurement strategy holds substantial potential for augmenting a company's reputation, particularly when foregrounding equitable labor practices. The adoption of initiatives such as achieving Net Zero emissions and ensuring equitable compensation stands in stark contrast to the reputational risks associated with practices like child labor and environmental degradation (Munuhwa, 2023).

Beyond the specter of potential customer attrition stemming from negative perceptions, non-compliance with environmental regulations poses a tangible financial risk. Embracing sustainable procurement practices not only serves as a bulwark against such risks but also facilitates the containment of expenditures tied to concerns over brand integrity and sustainability (Munuhwa, 2023).

In addition to forestalling extraneous expenditures, sustainable procurement initiatives actively contribute to cost optimization. McKinsey's data underscores the considerable potential for significant cost savings of 5-10% through the cultivation of robust ESG (Environmental, Social, and Governance) performance (Munuhwa, 2023).

The ongoing flux in social, economic, and environmental landscapes continually reshapes the contours of supply chain dynamics. By embedding these considerations into the formulation of procurement strategies, organizations can fortify their resilience against supply chain disruptions and emerging challenges (Munuhwa, 2023).

2.3. Criteria to assessing sustainable procurement

According to The United Nations Economic Commission for Europe (UNECE), sustainable procurement can be defined as “(...) *a process whereby organizations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organization, but also to society and the economy, whilst minimizing damage to the environment*”.

To facilitate the practice of sustainable procurement, UNECE put forward a set of criteria to streamline supplier evaluation. The criteria address either environmental, social or economic concerns, reflected by particular generic and specific indicators. Such criteria are included, but not limited to those mentioned in the following passages.

2.3.1. Environmental impact metrics

From an environmental perspective, factors like a product's lifetime energy and water consumption (operational costs) and its recyclability are crucial. Indirect costs come into play as well. Less energy-efficient equipment not only impacts the product itself but can strain a building's resources, driving up utility bills. Conversely, upfront investments in better insulation can lead to long-term energy savings. Finally, establishing minimum environmental standards for suppliers ensures a baseline level of environmental responsibility throughout the supply chain. Such criteria are quantitatively evaluated by the following indicators.

Table 2. Sustainable procurement indicators for environmental impact

Indicator	Generic/Specific	Indicator explained	Criteria indicated
Number of deliveries received	Generic (proxy)	Frequency of deliveries as an indicator of transportation emissions	Carbon footprint associated with logistics
% of value of eco-labelled products bought	Generic (proxy)	Percentage of purchased products with eco-labels	Supply chain's environmental awareness through product choices
% of suppliers with an Environmental Management System (EMS)	Generic (proxy)	Percentage of suppliers with a formal system for managing environmental impacts	Environmental commitment of suppliers
Use of Whole Life Costing	Specific	Considering the environmental impact throughout a product's lifecycle	Environmental awareness beyond initial purchase cost

Source: UNECE (2019)

2.3.2. Social impact metrics

Socially responsible procurement goes beyond fair labor practices, although factors like Workplace Hazardous Materials Information System (WHMIS) compliance and avoiding forced labor are essential considerations. Indirect costs can be minimized when suppliers prioritize good working conditions, as shorter audits and streamlined compliance procedures save everyone time and money. Those criteria are recommended to be quantified by the following indicators.

Table 3. Sustainable procurement indicators for social impact

Indicator	Generic/Specific	Indicator explained	Criteria indicated
% of suppliers involved in voluntary industry initiatives	Generic (proxy)	Percentage of suppliers participating in industry-led social responsibility initiatives	Social responsibility engagement of suppliers
% of value invested in activities on behalf of third sector organizations	Generic	Percentage of spending directed towards non-profit organizations	Contribution to social causes

% of value invested in activities on behalf of social value initiatives	Generic (proxy)	Percentage of spending directed towards initiatives promoting social good	Social orientation and impact of the supply chain
% value to good cause	Specific (proxy)	Percentage of value directed towards charitable causes	Direct contribution to community well-being

Source: UNECE (2019)

2.3.3. Economic metrics

Economic factors encompass both direct and indirect costs. The initial price of a product is important, but so are the operational costs associated with its use. Investing in energy-efficient equipment or using refurbished parts can provide significant long-term savings. Similarly, creating markets for a company's own waste through product recyclability presents an economic opportunity. By carefully evaluating these environmental, social, and economic aspects, businesses can make smarter procurement decisions that benefit not just their bottom line, but also the environment and society at large.

Table 4. Sustainable procurement indicators for economic impact

Indicator	Generic/Specific	Indicator explained	Criteria indicated
Gross Value Added (GVA)	Generic	Total value of goods and services produced minus the value of intermediate goods and services used	Regional economic impact (limited to regional scale)
Full Time Employment (FTE)	Generic	Number of full-time employees	Organizational contribution to employment
Consumer re-spend propensity	Generic	Likelihood of consumers to re-spend their money within the region	Economic impact through consumer spending patterns
% of value invested in activities executed with distributors	Specific	Percentage of spending on activities with distributors	Economic impact through collaboration with distributors (combine with "% spend with producers")
% spend with producers	Specific	Percentage of spending on direct producers	Economic impact through supporting producers (combine with "% of value invested with distributors")

Source: UNECE (2019)

3. Case Study of IKEA

3.1. Overview of IKEA

3.1.1. Background Information

IKEA, a Swedish multinational corporation, is renowned for its innovative approach to designing and retailing ready-to-assemble furniture, kitchen appliances, home accessories, and various other products and services. Established in 1943 by Ingvar Kamprad, IKEA has grown to become the leading furniture retailer globally since 2008. IKEA's legal headquarters are currently situated in the Netherlands.

IKEA is widely recognized for its modernist furniture designs and simplistic approach to interior design. The company offers a diverse range of products spanning furniture, kitchen appliances, home decorations, and various other goods and services. Notably, IKEA's immersive shopping concept features showrooms with decorated room settings, allowing customers to interact with available articles onsite.

3.1.2. IKEA's mission statement

IKEA's mission statement is ***“to 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”***. This statement clearly outlines the company's purpose and goal — providing high-quality products that are affordable for all. The following key points can be derived from the mission statement.

IKEA's mission to cater to diverse consumer needs is epitomized through its expansive product portfolio. Beyond furniture, IKEA offers an extensive array of appliances, kitchenware, bedroom furnishings, bathroom accessories, storage solutions, lighting fixtures, rugs, stationery items, and upholstery fabrics. This comprehensive selection, encompassing both classic designs and contemporary trends, ensures consumers find products tailored to their individual preferences, thereby enhancing their home environments.

Central to IKEA's mission is a steadfast commitment to sustainability, permeating every facet of its operations. The company endeavors to create durable, long-lasting products that minimize waste and promote responsible consumption patterns. This entails leveraging renewable materials, collaborating with ethically-aligned suppliers, and adopting circular business practices to mitigate environmental impact.

IKEA's mission to offer accessible home furnishing solutions is underpinned by a commitment to affordability. Leveraging economies of scale and advanced technologies such as augmented reality, IKEA maintains competitive pricing structures while upholding product quality and innovation. Through strategic pricing strategies and global market presence, IKEA optimizes cost efficiencies and passes on savings to consumers, ensuring products remain accessible to diverse socioeconomic demographics.

3.2. The situation of sustainable procurement at IKEA

IKEA has made significant strides in adopting sustainable procurement practices. Since the introduction of its "People & Planet Positive" strategy in 2012, IKEA has been committed to aligning its operations with environmental sustainability and social responsibility, in line with the UN

Sustainable Development Goals (Laurin & Fantazy, 2017). Central to this strategy is IKEA's dedication to sourcing materials that are renewable, recyclable, or recycled. IKEA has established robust policies and standards for material selection and procurement, with a focus on transparency and ethical sourcing. The company places a high priority on identifying the origins of production materials and ensuring they are obtained responsibly, without resorting to unethical practices like illegal logging or deforestation. Additionally, IKEA adheres strictly to environmental regulations, setting stringent standards for substances used in its materials to minimize environmental impact (IKEA, 2024).

IKEA employs a comprehensive process to assess and select suppliers that align with its sustainability goals. This process involves pre-qualification screening, supplier self-evaluation, on-site auditing, risk assessment, and analysis of performance data. Suppliers who demonstrate a commitment to innovation and collaboration in adopting green practices are given preference in IKEA's selection process (IKEA Taiwan, n.d.).

Central to IKEA's supplier management is the IKEA Way on Purchasing Home Furnishing Products (IWAY), a comprehensive code of conduct designed to ensure sustainability, social responsibility, and ethical business practices. The IWAY Staircase Model, consisting of four steps, serves as a framework for implementing and enforcing these standards throughout IKEA's supply chain (IKEA, 2024).

3.2.1. Environmental impact

IKEA's commitment to sustainable procurement extends beyond mere rhetoric, manifesting in tangible environmental impacts across its operations. Through the conscientious use of renewable materials, waste reduction initiatives, and a focus on energy efficiency, IKEA has significantly reduced its environmental footprint while setting industry standards for sustainability.

IKEA's proactive approach to sourcing materials underscores its dedication to environmental stewardship. The company ensures that 97.8% of its wood and paper come from Forest Stewardship Council (FSC)-certified or recycled sources (IKEA, 2024). This not only promotes responsible forest management but also supports the conservation of biodiversity. Additionally, IKEA leverages fast-growing and renewable bamboo as a substitute for virgin wood in its designs, further reducing its reliance on finite resources. By championing a Forest Positive Agenda, IKEA actively contributes to enhancing biodiversity and combating climate change in its wood sourcing practices.

IKEA's waste reduction efforts are emblematic of its commitment to a circular economy. Through initiatives like Design for Disassembly, IKEA ensures that its furniture is designed with recyclability in mind, facilitating easy disassembly and subsequent recycling at the end of its lifespan. Furthermore, IKEA promotes upcycling by allowing customers to return old furniture for refurbishment and resale, thereby extending product lifespans and reducing waste. Notably, IKEA's mattress recycling program addresses a significant source of waste in the industry, exemplifying its proactive approach to environmental responsibility.

IKEA's focus on energy efficiency underscores its dedication to minimizing its environmental impact. The company's stores and warehouses are equipped with energy-efficient systems and utilize renewable energy sources, reducing their reliance on fossil fuels and mitigating greenhouse gas emissions. Additionally, IKEA prioritizes transportation optimization, minimizing fuel consumption and emissions in its supply chain operations.

3.2.2. Social impact

IKEA's sustainable procurement practices go beyond environmental considerations to encompass significant social impacts, particularly in supporting smallholders and safeguarding children's rights throughout its global supply chain. By actively engaging with smallholders, IKEA not only improves their livelihoods but also contributes to poverty alleviation and community development. This approach is aligned with IKEA's commitment to positive practices, aiming to achieve favorable social outcomes while maintaining economic performance. Additionally, IKEA's sustainable procurement practices extend to second and third-tier suppliers globally, ensuring that its impact is felt across its entire supply chain (Matthews, 2018).

Moreover, IKEA places a strong emphasis on protecting children's rights within its procurement processes. The company likely has specific policies in place to ensure compliance with international standards and regulations regarding child labor. This commitment is integral to IKEA's ethical framework and is reflected in its supply chain practices, where efforts are made to uphold children's rights at all levels. By integrating social considerations into its procurement strategy, IKEA not only fulfills its corporate social responsibility but also contributes to positive social change on a global scale.

Research evidence supports the effectiveness of IKEA's sustainability practices in generating positive social impacts. Studies have shown that these practices can be successfully implemented across IKEA's supply chain, leading to improvements in working conditions, labor rights, and community well-being.

3.2.3. Economic impact

IKEA's sustainable procurement practices are not only ethically commendable but also strategically advantageous, yielding substantial economic benefits. By emphasizing sustainability throughout its supply chain, IKEA leverages various mechanisms to enhance its economic performance.

Sustainable procurement practices enable IKEA to streamline its operations, leading to reduced costs through efficient resource utilization and waste reduction. By optimizing material usage and minimizing waste, IKEA not only lowers its operational expenses but also enhances its overall profitability. Furthermore, by investing in sustainable materials and processes, IKEA can achieve economies of scale, further driving down production costs over time.

Long-term economic benefits stem from IKEA's sustainable procurement practices, including reduced exposure to supply chain disruptions and regulatory risks. By diversifying its supplier base and ensuring compliance with environmental and social standards, IKEA mitigates the risk of disruptions due to factors such as natural disasters, political instability, or changes in regulations. This resilience enhances IKEA's ability to maintain consistent operations and revenue streams, even in the face of unforeseen challenges.

IKEA's commitment to sustainability not only resonates with consumers but also drives revenue growth. Positive environmental and social impacts enhance brand reputation and customer loyalty, leading to increased sales and market share. Consumers increasingly seek out environmentally and socially responsible products, and IKEA's strong sustainability stance positions it as a preferred choice

in the market. This favorable perception not only attracts new customers but also fosters long-term relationships with existing ones, driving sustained revenue growth.

3.3. Success of sustainable procurement in IKEA

3.3.1. The economic and social success of sustainable procurement in IKEA

In tradition, evaluating business effectiveness is typically based on financial indicators such as revenue and profit. However, when considering sustainability in this context, success in implementing sustainable procurement can be assessed non-monetarily through methods such as reputation ratings, social audits, observations, and managerial principles and values. In this report, for a more comprehensive analysis, the author will discuss the success of both economic and social aspects in the same section, as they are closely interconnected.

Despite ongoing speculation about the inverse relationship between corporate performance and sustainability, IKEA's data and strong market position disprove this notion. The line graph below illustrates the annual revenue of the IKEA Group worldwide from 2001 to 2022. The analysis baseline year is 2016 since this was the time of IKEA being fully submerged in its commitment to its sustainability goals.

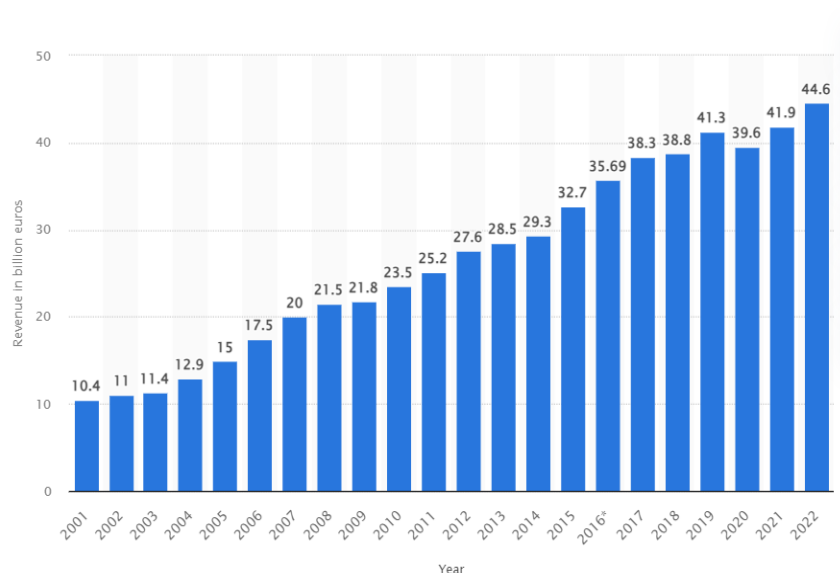


Figure 1. Annual revenue of the IKEA Group worldwide from 2001 to 2022

Source: Statista

It can be observed that IKEA's revenue has shown growth over the years, despite a slight decline in 2020 due to the COVID-19 pandemic. The data illustrates the effectiveness of implementing a sustainable strategy throughout the company's system and encouraging the same in its partners. To further explain, seeking mainly renewable and recycled raw materials is one of the major factors contributing to IKEA's low product costs and ensuring profitability for the business. Using recycled and used materials significantly reduces costs, as opposed to sourcing entirely new materials, which are more expensive and would increase the product's cost. This strategy ensures cost optimization for the business while also helping IKEA achieve its sustainability mission. In addition, it is the reason why IKEA's image has always remained cheap and quality.

Secondly, the improved brand image resulting from IKEA's dedication to environmental sustainability may indirectly contribute to overall profitability by potentially boosting sales and customer loyalty.





	Rank	Brand	Brand Value	1-Yr Value Change	Brand Revenue	Company Advertising	Industry ▲
	#19	Walmart	\$29.5 B	12%	\$341 B	\$3.7 B	Retail
	#34	Home Depot	\$19.2 B	6%	\$110.2 B	\$904 M	Retail
	#40	IKEA	\$15.8 B	3%	\$46.2 B	-	Retail
	#41	Zara	\$14.7 B	9%	\$21.9 B	-	Retail

Figure 2. Most Valuable Brands in 2020

Source: Marty Swant

According to a Forbes survey in 2020, IKEA ranked 40th in the Most Valuable Brands list across all sectors and claimed the 3rd position in the retail category. The report emphasized that IKEA's significant rise in its value from the previous year indicates a strong level of trust and favorability among its customers.

Thirdly, the company has generated approximately 219,000 jobs globally for individuals who share a special set of values and a vision to enable people to live a better, more sustainable everyday life. This is also an indicator that reflects the company's economic power and accomplishments. Furthermore, IKEA also worked with over 1,600 direct suppliers and service providers, indirectly contributing to millions of people's job according to its Sustainable Report in 2023.

Fourthly, concerning its distributors and manufacturers, IKEA manufactured about 10% of its product range and sourced the remaining 90% from over 800 external suppliers. With 27,443 million euros of goods sold, this leads to the fact that IKEA has created an enormous economic impact and influenced to its partners.

Consequently, IKEA has attained remarkable economic milestones. In detail, the economic success aspects of IKEA can mainly be shown through its revenue, employment, customer satisfaction and its impacts on the producers, meeting four out of five criteria from the UNECE assessment.

On the other hand, IKEA has consistently taken positive actions in creating value for society. The company has partnered with major organizations for many years, such as collaborating with WWF for over 20 years and working with the ISEAL Alliance for over a decade, to address various social issues including safeguarding the rights of children and workers, ensuring equality and diversity in the workplace, and more. Additionally, the company also encourages its suppliers to make positive social impacts, with all suppliers meeting 99% of the company's requirements for creating more sustainable value. As a result of these efforts, IKEA has successfully met all four assessing criteria of UNECE.

3.3.2. The environmental success of sustainable procurement in IKEA

The IKEA business has long promoted responsible sourcing within its business, driving market change in the procurement of key raw materials and continually applying innovative methods. According to the IKEA sustainability report, by sourcing materials more responsibly, in 2023, the climate footprint from materials decreased by 17% compared to 2022 and 7% compared to the baseline year, 2016. The report also states that in 2021, 56% of the materials sourced by IKEA were renewable, with 17% being recycled. Although the data remained unchanged since then, the data for the following years is a conservative estimate that may not accurately reflect the actual improvements made in the materials used in the IKEA range as this amount is based on estimations for most types of materials. It is believed that significant improvements have been achieved, and further details regarding these improvements will be provided in the report.

The company primarily uses wood, cotton, plastic, and glass in its products. With sustained efforts in recent years, significant progress and achievements have been made in the sustainable procurement of the business.

The wood used in IKEA products is sourced from sustainably managed forests that do not contribute to deforestation. As regards wood procurement, in 2023, IKEA reviewed and updated their calculation method, resulting in greater accuracy of their wood consumption data. In 2023, 17% of IKEA's wood based range was made of recycled wood material (2022: 15%). In addition, 97.8% of their total wood usage was either Forest Stewardship Council certified (FSC) or recycled, as opposed to 99.9% in 2022. The business, in collaboration with WWF, has also partnered with 19 locations globally, promoting responsible forest management, enhancing transparency within wood supply chains, and preserving ecosystems.

Since 2015, the IKEA business only used virgin cotton certified by its approved schemes or recycled cotton. The ambition of the business is to achieve 30% recycled cotton by 2030 and also aim to use post-consumer recycled cotton. It is reported that in 2023, the total volume of cotton in IKEA products, including non-virgin cotton, amounted to 109,000 tonnes (FY22 144,100 tonnes). IKEA remains committed to prioritizing physical segregation and end-to-end traceability, diversification, risk mitigation, and the promotion of circular cotton supply chains in an effort to reduce the environmental and social impacts of its cotton supply chains.

Moreover, IKEA's plastic products manufactured in Europe now comprise a minimum of 70% recycled content, with more than 50% originating from post-consumer sources such as household plastic waste. The same approach is applied in the other production regions, resulting in lowering the CO₂ on a material level by approximately 60% compared to using entirely virgin fossil plastic.

Last but not least, IKEA sources glass that is fully recyclable and can be recycled multiple times. The energy required to melt recycled glass is lower than that needed for melting virgin raw materials for new product production. Some regions have established efficient collection and treatment systems for post-consumer packaging glass, specifically bottles and jars.

Last but not least, the company has implemented more sustainable solutions and choices in transporting goods and logistics services. IKEA witnessed a 28% reduction in climate footprint in this aspect, compared to the baseline year 2017, implying more responsible activities toward the environment.

IKEA's numerous successes in sourcing raw materials serve as evidence of an efficient procurement system. The company continues to be a brand with positive contributions to the environment and adheres to global environmental goals. In conclusion, IKEA has complied with all four criteria of the UNECE assessment in terms of environmental.

4. Lessons for Vietnamese retail firms

4.1. Overview of Sustainable procurement in Vietnamese retail firms

In recent years, sustainable procurement has gained significant interest within Vietnamese retail firms, along with the government's close attention, reflecting a growing commitment to environmental and ethical practices. The focus on sustainable procurement has also influenced consumer behavior, as more customers seek out products and services from environmentally responsible businesses. This leads to a wave of businesses in Vietnam to start creating an environmentally friendly and socially responsible image.

As regards the government responses, Ho Cong Hoa, deputy head of the CIEM's Department for Social Affairs Research, said that green procurement played an important role in establishing a green market in Vietnam.

"Vietnam has issued policies on green procurement, and green public procurement, gradually forming a green purchasing market. The requirements for environmental protection have been mentioned in the prequalification invitation documents and bidding documents for investors and contractors," said Hoa.

The government, as well as international bodies, are putting stricter laws on sustainability into place, encouraging businesses to move toward a sustainable goal.

Although certain actions have been taken, applying sustainable procurement, as well as sustainable supply chain in Vietnam remains an open question for the majority of businesses. It is noticed that lower-tier suppliers or small and medium businesses are struggling to apply a sustainable strategy within their business, due to the lack of resources and inadequate incentives. This makes it difficult for large businesses, and MNCs, to find suitable partners and sustainable supply sources, posing many obstacles and challenges in procurement.

4.2. Evaluation of Vietnamese retail firms in applying Sustainable procurement

4.2.1. Strength

Vietnamese retail firms have the strength of understanding local business culture, which is a fundamental link for them to build stronger relationships in the supply chain. This understanding helps retail firms have better management of local goods suppliers by closely collaborating with these manufacturers to improve goods supply systems in a smarter and more effective way.

4.2.2. Weakness

Vietnamese businesses' awareness of the benefits of sustainable procurement is insufficient and quite passive. Currently, Vietnam does not have any legal documents that force manufacturers to apply sustainability in their supply chains. The reason is due to the lack of a system of precise and well-defined restrictions on sustainable manufacturing and purchasing standards.

Furthermore, the operational scale of Vietnamese retail firms is still very limited and most of them lack experience, capital and expertise. As a result, there is relatively little funding available for environmental application efforts. In addition, many Vietnamese small and medium-sized enterprises do not have a supply chain management department, so they have to choose outsourcing solutions. However, in reality, the use of outsourcing services supply chain management in general and procurement activities in particular is not as good as businesses' expectations.

4.2.3. Threats

Transforming supply chain processes and operations towards sustainability requires businesses to identify and analyze a number of barriers and challenges. A common concern among procurement departments and organizations adopting more sustainable procurement practices is the expense of making the transition to a new procedure. Moreover, although this type of sustainability is at the procurement level, some difficulties faced by procurement specialists stem from their failure to fully utilize all of their company's resources. Meanwhile, retail businesses, in addition to internal management pressures, are also having to compete in increasingly fierce conditions.

4.2.4. Opportunities

The potential for development and expansion of the retail market shows that businesses need to invest heavily in building and managing supply chains, especially the need to integrate and gradually move towards sustainable supply chain management, starting with sustainable procurement. A growing trend in the retail consumer market is that more consumers are aware and willing to pay higher prices for green products. This shows the fact that using green products is no longer a choice, but a necessity.

Furthermore, Vietnamese firms are facing many opportunities to transform and improve their procurement activities thanks to more attention from the government on businesses' sustainable purchasing and production. Additionally, the cooperation between Vietnam and international organizations and countries with environmental management experience is increasingly improving.

4.3. Recommendations for Vietnamese retail firms in applying Sustainable procurement

4.3.1. Build long-term and sustainable cooperative relationships with suppliers

Businesses must select appropriate suppliers and build relationships with them to meet different types of input goods and services. For organizations that need products or services, a good supplier is truly an invaluable resource, because the supplier will directly contribute to the success of the business. Choosing good suppliers and managing them is a prerequisite to help firms obtain products and services of the desired quality at reasonable prices, which can compete in the marketplace and abroad.

During the purchasing stage, procurement professionals can participate in environmental audits conducted by a third party, and work with suppliers that have environmental certifications. Securing goods for retail businesses is a vital issue. The number of items in a distribution center is thousands of items but there are only a few strategic partners, so it seriously affects the business efficiency and competitive position of retail firms. Furthermore, retail organizations have numerous challenges related to time, costs, and other issues because they must collaborate with hundreds or even thousands of different suppliers. In such a context, in order to cooperate with suppliers, retail businesses need to have appropriate management strategies.

4.3.2. Integrate Technology with Processes

Strategic sourcing is expanding at an astounding rate, necessitating the integration of cutting-edge technology into every business process. A sourcing agency can simply reduce costs and enhance customer management by keeping an eye on every action made within the company. Technology has the potential to provide a holistic view of every function to facilitate fair and timely decisions along the value chain. Geographical barriers no longer cause discontinuity since technology coordinates all departments and functions for increased productivity and simplicity of use. Investing in advanced infrastructure reduces customer service restrictions, improves supplier connections, and makes it simple to follow the movement of products and communicate consistently.

4.3.3. Develop a strategic plan for sustainable procurement

In the context of globalization, environmental awareness is growing, and partners and customers are beginning to focus more on eco-friendly products. Additionally, customers are gradually denouncing commercial practices that destroy the environment and deplete resources. Additionally, when climate change gets more complex, resource costs rise and labor productivity in contaminated areas declines, which harms corporate profitability. Therefore, to survive and develop sustainably, firms are forced to pay attention to the environmental aspects. To do so, business leaders need to change their thinking and raise business awareness and each Vietnamese retail firm needs to build a sustainable development strategy in its business plan. Moreover, retail businesses also need to be more proactive. In supply chain management, there needs to be a shift in perspective and a willingness to take risks. These are opportunities for businesses to gain their own competitive advantage in the retail market.

5. Conclusion

In conclusion, this dissertation has examined the enhancement of sustainable procurement practices within Vietnamese retail firms, focusing on insights gained from a case study of IKEA. Through a thorough analysis of IKEA's sustainable procurement strategies, processes, and outcomes, this study has provided valuable lessons for the Vietnamese retail sector.

The study underscores the importance of aligning procurement practices with sustainability principles throughout the process. Key determinants of success identified include strategic sourcing, supplier collaboration, transparency, and stakeholder engagement. These findings highlight the necessity for Vietnamese retail firms to actively incorporate sustainability considerations into their procurement practices to achieve positive environmental and social outcomes.

Additionally, the dissertation emphasizes the role of organizational commitment and leadership in driving sustainable procurement initiatives. IKEA's holistic approach, underpinned by strong sustainability leadership from top management, serves as a model for fostering a culture of sustainability within retail organizations.

The practical implications of this paper extend to Vietnamese retail firms seeking to enhance their sustainability performance. By leveraging insights from IKEA's approach, these firms can strategically align their procurement practices with sustainability goals, contributing to global efforts toward environmental stewardship and social responsibility.

In summary, this dissertation contributes to advancing knowledge in sustainable procurement and highlights the potential for transformative change within the retail industry. Through concerted efforts and informed initiatives inspired by IKEA's example, Vietnamese retail firms can play a vital role in driving sustainable development and fostering a more resilient and responsible retail sector for the future.

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