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**Assessing Romanian Meat Processing Companies' Readiness
for Sustainable Marketing from a CSRD Perspective**

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Abstract

In the recent difficult and turbulent context, the meat processing industry in Romania can change its course and consider its environmental, social, and governance impact (ESG). This article seeks to highlight how companies subject to the Corporate Sustainability Reporting Directive (CSRD) engage in sustainable marketing by analysing their sustainability reporting. The performance indicators studied in the 1,336 registered meat processing entities determined 10 companies that fit the CSRD criteria. For each of them, the corporate site was inspected, and a data base was created considering different variables related to sustainable marketing. Based on various research studies, a macro environment analysis using the PESTEL framework (Richardson, 2019) and a micro environment assessment based on Porter's 5 forces (Porter, 1979 cited in Richardson, 2019) were applied to the group of the 10 eligible companies. The results suggest that the top meat processing companies in the industry lag behind in articulating coherent sustainable marketing strategies and have little time for improvement, should they consider their ESG impact. However, this could be an opportunity to adopt more sustainable practices, especially in terms of their environmental footprint.

Keywords: Sustainability reporting, sustainable marketing strategies, meat industry, CSRD.

JEL Classification: M 31, Q56.

1. Introduction

The legal framework is an important trigger to advance the sustainability agenda in the EU. Since 2018, Romanian organisations with more than 500 employees have

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to submit their non-financial and non-audited disclosures, including sustainability-related commitments such as: environmental protection, social and HR engagement, anti-corruption and anti-bribery practices. Starting January 2022, these companies were due to report more specifically their actions against the climate change, and the resulting measurable outcomes. In November 2022, an important and long-awaited measure was enforced at the EU level: the Corporate Sustainability Reporting Directive (CSRD) was adopted by the European Parliament, which will 'make businesses more publicly accountable by obliging them to regularly disclose information on their societal and environmental impact'. CSRD will be applied to large or listed companies that simultaneously fulfil 2 out of 3 of the following criteria: turnover exceeding 40 million euros, profit more than 20 million euros, or a workforce above 250 employees. This directive includes a specific timeline for submitting audited sustainability reports, under the EU taxonomy, starting 2024 (audited reporting due in 2025) (Council of the EU, 2022).

Thus, sustainability will become equally important as the financial performance, for engaging investment and maintaining profitability, as companies will be scrutinised on their ability to fight climate change (environmental priorities), along with their social impact and governance practices, the so-called 'ESG' pillars. Furthermore, sustainable marketing can contribute to the development of a positive social image of the company, which can be beneficial in improving the reputation of the brand and increasing customer engagement (Gong et al., 2023).

The research aims to evaluate to what extent the top meat processing companies in Romania engage in sustainable marketing and are ready to adopt the CSRD reporting in the near future. Research results reveal that ESG reporting can trigger a management shift toward more sustainable practises, combating climate change.

The research was conducted in the context of sustainable marketing, a contemporary development of social responsibility in marketing, which focuses on delivering sustainable value to consumers and stakeholders through the balance of three sustainability dimensions (Lucic, 2020). Furthermore, 'the role of marketing in sustainable development is crucial, since the marketing department connects manufacturing and consumption', as stated by Stancu (2018). One can argue that the role of the marketing department is transformative, as it aims to achieve a triple performance, called the triple bottom line, in social, business and environmental dimensions, considering the "3 P" (People, Planet, Profit) (Turletti, 2019).

2. Problem Statement

If a given organisation considered a holistic approach to sustainability, beyond mere operational tasks, it would need to integrate sustainability into its values, beliefs, norms, goals, mission, structure, and operations, as highlighted by Rudawsa (2018).

To this end, sustainable marketing is a way to identify and meet customer needs while also considering the environmental impact of goods and services. In contrast, traditional marketing may prioritise profits over long-term environmental benefits. In short, sustainable marketing is defined as a process that aims to create,

communicate and deliver value to customers while preserving or enhancing natural and human capital throughout (Bernyte, 2021).

Companies adopting comprehensive sustainability strategies acknowledge the importance of social and environmental challenges and consider the potential risks to the respective business. To achieve this, organisations should adjust their operational strategies, with particular emphasis on their marketing strategies. Therefore, incorporating sustainable practices into marketing strategies is essential for companies to thrive and establish a competitive advantage in the long run (Rudawsa, 2019).

Furthermore, organisations should seek to understand better than their competitors the macro-environmental trends (and disruptions) that can transform sectors and create new opportunities' (Richardson, 2019). One of the frameworks documenting the analysis of future external trends impacting sustainability adoption, PESTEL, refers to a few dimensions: political, economic, social, technological, environmental, and legal.

When assessing the competitive microenvironment affecting sustainability, the five-forces model introduced in 1979 by Porter can provide an 'understanding of industry structures and the way they change' (Richardson, 2019).

Consumers generally tend to prefer companies that act as environmental stewards, as it allows them to identify with such brands (Orzan et al., 2018). According to Ajina et al. (2019), customer awareness of a company's actions is essential for their reactions toward the company. The more informed customers are, the better they can evaluate and differentiate the company.

As consumer values rapidly transition toward sustainable development, marketing must embrace suitable sustainable practises to accommodate this shift (Danciu, 2014). Businesses recognise that fulfilling their obligations involves acting responsibly, which in turn helps promote sustainable development (Zaharia et al., 2010). Ecological, social, and economic factors are the main components of sustainable consumption. According to Quoquab et al., Abdulrazak and Quoquab, Brach et al., and Bulunt et al., sustainable consumption is regarded as a force that propels sustainable development (Boca, 2021).

3. Research Questions

By investigating which are the meat processing companies where CSRD applies starting 2025, out of 1036 registered entities only 10 organisations meet the criteria. For each of those, where available, the corporate site was reviewed and a data base was created considering different variables, linked to sustainable marketing. The objective of this direct research has been to identify if meat processing companies are prepared to act more responsibly across the ESG criteria, being transparently accountable on their environmental, social, and governance impact.

Furthermore, based on various research studies, a macroenvironment analysis using the PESTEL framework (Richardson, 2019) and a microenvironment evaluation based on Porter's 5 Forces (Richardson, 2019) have been applied to the group of 10 organisations.

4. Research Methods

The review of the literature guides the role of sustainability in organisational marketing strategy and planning, while highlighting the barriers and triggers to advance their sustainability agenda. Special emphasis is placed on consumer behaviour in relation to sustainability principles.

Direct research has been used on the websites of meat processing companies where CSRD can already be applied. To properly document their readiness to integrate the CSRD framework, the main sections of these companies' websites have been analysed, their public reports, and communications (Stancu et al., 2013). In this way, the ability of the selected organisations to transparently communicate their sustainable marketing practices is documented, where they exist. The incumbent published sustainability reports or even nonfinancial disclosures have been considered for in-depth appraisal, as their reference to specific ESG objectives and outcomes.

Then macroenvironment research was performed using the PESTEL framework followed by a microenvironment assessment based on the Porter 5 Forces framework. Consequently, the mitigating factors and the challenges to advance the sustainability agenda within the meat processing industry have been determined. The informed resulting conclusions present an assessment of the readiness of the meat processing industry to apply sustainable marketing, under the CSRD lens.

5. Findings

5.1 Direct Research on the Websites of the Top Meat Processing Companies

The analysis applied on the 2021 available public data about the registered Romanian entities within certain fields of activity, coded as 1013- manufacturing meat products and 4632- trading meat products, revealed that out of 1,336 companies, there were only 10 meat processing organisations with annual sales exceeding 40 million euros and more than 250 employees.

Table 1. Top meat processing companies in Romania

Organisation	Employees 2021	Sales 2021 euros
CrisTim 2 Prodcom	1066	149,604,024
UNICARM	3087	145,281,076
MACROMEX	414	128,725,351
Caroli Foods Group	921	97,053,292
Fox Com Serv Distribution	444	73,371,101
Diana	507	56,545,793
Convenience Prod	440	49,039,089
Bertis	616	48,080,592
MEDA prod 98	732	48,007,184
ALDIS	808	46,514,218

Source: www.coduricaen.ro.

There were no companies with sales more than 40 million euros and a net profit exceeding 20 million euros or units with profits above 20 million euros and 250 employees. Consequently, the above evaluation led to identifying the only 10 organisations where the CSRD criteria could apply if the Directive has already been implemented.

Furthermore, the analysis revealed that of the 10 companies, 3 do not have working websites. Of the remaining 7 websites assessed, only 3 presented an articulated vision, mission, or values, which, however, were not related to sustainability or even to CSR. For example, among the identified visions, there were: “Family company” (CrisTim), “Wants to be part of their daily life” (Fox), “Brings food favourites to all communities.’

None of the considered organisations dedicated a separate section to their sustainability marketing initiatives or appeared prepared to transparently publish their ESG commitments in the form of a report. There is only one company that has made public, in a footnote, its nonfinancial disclosure.

Based on the above-mentioned findings, the leading meat processing companies in Romania seem to have enough room to improve their sustainability reporting abilities under the CSRD, while making publicly available their definite ESG objectives and outputs. Furthermore, since CSRD refers to its 2024 activity, these organisations have little time to set up a certain framework to implement sustainable marketing practices.

5.2 Macro Environment Research Using PESTEL

5.2.1 Political Factors

Given the impact generated by the war in Ukraine on Romania’s ability to access energy sources, the Romanian government signed a green energy deal with three countries to provide energy through a 1,200 km submarine cable across the Black Sea (European Commission, 2022). This shows that Romania has taken serious steps to secure green energy locally and for the entire EU. Furthermore, local authorities have issued an emergency ordinance to encourage renewable energy consumption (Ministry of Energy, 2022), which may be an opportunity to engage in more sustainable energy use by the meat processing industry.

5.2.2 Economic Factors

In December 2022, Romania registered the highest inflation rate in the last 20 years: 17% (ING Snaps, 2022). Research conducted by a global intelligence agency revealed that 91% of panel consumers declared that they were extremely concerned with the impact of inflation on their household budgets (GlobalData, 2022). Furthermore, 4 out of 10 consumers in Europe find it harder 'to act sustainably due to economic problems', while 6 out of 10 consider environmentally friendly alternatives too expensive (GfK, 2022). Therefore, high prices should be considered an important barrier to sustainable purchasing, including the acquisition of processed meat products.

5.2.3 Social Factors

Romanians are mostly concerned about rising prices, the state of the war in Ukraine, and the costs of their healthcare (McKinsey, 2022). Sustainability becomes less of a priority, and consumers prefer to better control their purchasing budgets and even spend less.

To address the overwhelming downward trend, most meat processors decided to market and promote products packed in smaller quantities. These represent an opportunity to reduce food waste while generating more unrecyclable plastics on the market.

5.2.4 Technological Factors

Romania ranks the lowest on the European Innovation Scoreboard 2022 (European Commission, 2022), with reduced R&D funding reflected in the low number of patents registered by local firms. As the state does little to support innovation for the meat processing industry, academia and private companies must find alternative financing for creating more sustainable products replacing meat, such as plant-based.

5.2.5 Environmental Factors

Within the Farm-to-Fork EU strategy, sustainable agriculture is considered very important for fighting against climate change (European Commission, 2022). Local farmers can access different financing systems designed to protect the climate, while consumers are encouraged to taste national products and opt for a more 'local' approach, thus strengthening a sustainable supply chain.

In a study conducted to determine the growing concern of consumers for local origin products (Ipsos, 2022), their perceptions were translated into different dimensions of the perceived 'local' identity. The study revealed that the origin is already a decisive factor in the purchase decision and helps sustain small farms. Additionally, food of local origin reinforces sustainability, while local-origin products of local origin help reduce polluting emissions.

Therefore, it becomes increasingly important for the meat processing industry to identify local suppliers. This will increase the local footprint of the industry and make its supply chain more sustainable with reduced environmental impact.

5.2.6 Legal Factors

The impact placed by the CSRD reporting on the meat industry companies that qualify is time sensitive. Internal procedures for collecting data for the forthcoming sustainability reports should be established, dedicated internal and external resources to roll-out the sustainability reporting will be shortly needed. Equally important, these organisations will have to set clear and transparent ESG goals.

Furthermore, the revision of the European Packaging and Packaging Waste Directive (PPWD) would add packaging prevention and reduction goals to those of packaging waste management (European Commission, 2022).

5.3 Microenvironment Research Using Porter's 5 Forces

5.3.1 Bargaining Power of Buyers: High Force

A research study reveals that only 26 % of consumers still sought sustainability / environmentally friendly product characteristics when making a purchase (GlobalData Romania, 2022), being mainly interested in their functional characteristics (such as nutritional declaration).

5.3.2 Bargaining Power of Suppliers: High Force

The swine flu in Europe caused a severe shortage of pork meat. Romania is one of the countries where this animal disease was discovered and contained, but local supply is hardly available, while approximately 80 % of pork meat in the country is imported from outside Europe. This has led to a constant monthly price increase, while the scarce supply of pork meat already represents an overall challenge for the meat industry.

Consequently, the meat processing industry has the opportunity to look deeper for sustainable small local suppliers, who can provide clean and safe-to-eat pork meat.

5.3.3 Substitutes Products: Medium Force

In Romania, plant-based dry proteins (wheat, pea, soy) started to be used, especially for burgers, nuggets, and schnitzels. These substitutes cannot compete with the taste of the meat, but slowly win the preference of customers, and are a sustainable alternative to pork or chicken. Romanians rank first in Europe in terms of their preference to replace meat in their food: 46 % are flexitarian, pescetarian, vegetarian, or vegan (Kerry, 2022).

5.3.4 New Entrants: Medium Force

New entrants must put a lot of effort and investment into making processed meat products available nationally and position them correctly. The environmental certification necessary for any production unit takes long to obtain, and many EU environmental regulations must be met.

On the other hand, the big retailing networks became so powerful in Romania that often push for their own private brands on the shelves, focused on the lowest possible price and less on sustainability.

5.3.5 Rivalry: High Force

Cold cuts used to be developed by big companies, but smaller producers and private label brands have started to gain consumers' preferences in the last 3 years. These organisations can easily elude the CSRD reporting criteria, but the top companies have a real opportunity to focus on sustainability marketing and engage in transparent sustainability reporting.

The source of competitive advantage for the top meat processing companies will soon shift from price to sustainable marketing.

6. Conclusions

Given the identified challenges and opportunities resulting from the macro- and micro-external environments around the Romanian meat processing industry, time-sensitive changes will impact the top companies that meet the CSRD criteria.

Therefore, the 10 already qualifying companies for compulsory audited sustainability reporting will have to consider specific ESG objectives and outcomes and generate definite managerial changes to engage in sustainable marketing strategy and planning, in a very short timeframe.

Moreover, they will have to focus more on reducing their environmental emissions, by becoming more active in pushing for local legislation encouraging local supply. Additionally, the resulting good outcome will consist of a more active search for sustainable small local suppliers who can provide clean and safe-to-eat pork meat.

As the state does very little to encourage R&D, companies in the meat industry will have to find alternative financing for creating more sustainable products replacing meat, such as plant-based.

Although the current downward trend expressed by the meat products' consumers has little to do with sustainability and more with high prices, manufacturing companies should plan well in advance their own contribution to introducing more sustainable packing solutions. The necessary investment for new packing machinery and materials, to replace the existing non-recyclable plastic, can be considerable. This may be offset by accessing more sustainable energy sources, which are partially supported by the government, but an important investment plan is generally needed.

In addition, internal procedures for collecting data for the forthcoming sustainability reports should be established; dedicated internal and external resources to roll-out the sustainability reporting will soon be needed. Equally important, these organisations will have to set clear and transparent goals for the management of packaging waste.

In short, the source of competitive advantage for the top meat processing companies can soon shift from price to sustainable marketing if these organisations take advantage of the opportunity that comes from adopting ESG in their business models.

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