

Opportunities and Challenges in the Green Economy Transition for Businesses in Vietnam

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Abstract - Environmental degradation due to unsustainable economic development and consumption has prompted retail businesses to rapidly adopt the green economy model to ensure sustainable development. This paper analyzes the application of the green economy in retail, comparing Vietnam's approach with other Asian countries such as India and China. The objective is to clarify the challenges and opportunities of the Vietnamese retail industry in the process of transitioning to a green economy. The paper also highlights the strategies and policies that other countries have successfully applied, while proposing solutions for Vietnam to promote the transition process, ensuring sustainable development in the context of globalization and climate change.

Keywords – Green Economy; Sustainable Retail; Sustainable Development.

I. INTRODUCTION

The green economy is a popular concept in the current socio-economic context. Accordingly, countries recognize that the strong development of the economy and social life in each period has had negative impacts on the natural environment. Some countries are facing severe environmental degradation, accompanied by warnings about the negative impacts these problems cause on people's lives and health, as well as other concerns such as the ecosystem in the natural environment. Therefore, the deployment of the green economy has become a top concern for many countries in the Asian region.

With the application of advanced solutions and technologies, countries have introduced new methods to minimize harmful impacts on the environment and enhance sustainable development for the economy in countries. This change is not only present in large-scale industries but also reshapes the consumption structure, in which retail industries play a central role. This paper focuses on the development of the green economy in the retail industry, comparing Vietnam's approach with that of other countries in the Asian region, specifically India and China. While Vietnam is gradually transitioning, India and China, with large populations and leading consumption in the continent, have applied many effective green strategies in retail.

By analyzing the situation of applying the green economy in these countries, the factors shaping Vietnam's green transition process in the retail industry are exploited, highlighting the successes, challenges, and potential for future development of Vietnam in the field of applying the green economy and green retail.

II. THEORETICAL FRAMEWORK

A. Green Economy

Currently, environmental pollution and resource depletion have become one of the notable challenges that the world, including Vietnam, is facing. Accordingly, economic progress has led to an expansion of consumption and production, which has harmful effects on the environment by depleting resources and causing pollution (Jayachandran, 2022). The Kyoto Protocol pointed out that economic growth and CO₂ emissions are closely related, meaning that as countries develop economically, their CO₂ emissions also increase (Kim et al., 2020). Thus, to maintain sustainable development, countries need to find solutions to reduce emissions and protect the environment. The trend towards applying a green economy has become an indispensable trend for countries, and Vietnam is aiming for it.

The concept of a green economy was introduced by British environmental economists in 1989. It emphasizes minimizing environmental impact while enhancing social well-being. The core principle of sustainability argues that economic growth should not come at the expense of resource depletion and environmental degradation. Today, various interpretations and definitions of a green economy exist.

The United Nations Conference on Sustainable Development (UNCED), held in June 2012 in Rio de Janeiro, Brazil, formally adopted the term "Green Economy." UNCED positioned it as a tool for sustainable development and poverty reduction, emphasizing economic growth in harmony with environmental protection. Rather than a rigid framework, it's an approach to generate employment, foster inclusive growth, safeguard ecosystems, ensure social equity, and respect national sovereignty while enhancing resource efficiency and technological innovation (UNDESA, 2012).

The United Nations Environment Programme (UNEP) provides a comprehensive perspective on the green economy. This model aims to establish an economy characterized by social equity, improved human well-being, and a significant reduction in environmental risks and resource scarcity (Loiseau et al., 2016).

In essence, the green economy presents a holistic strategy for sustainable economic development, prioritizing methods, actions, and processes that are not only economically beneficial but also ensure environmental and resource sustainability for future generations. It encourages the use of renewable resources and clean energy while promoting environmentally friendly policies and behaviors. By integrating economic growth with environmental sustainability, nations embracing the green economy aspire to create a system where development doesn't compromise the planet's health. This concept is particularly crucial in addressing global challenges like climate change, where traditional economic development models fall short of long-term sustainability.

III. RESEARCH METHODOLOGY

This study employs a qualitative approach, integrating established theories and research findings from both domestic and international sources. By combining survey methods with personal insights and perspectives, this paper aims to analyze and evaluate the opportunities and challenges that Vietnamese businesses face in the transition to a green economy.

IV. RESEARCH RESULTS

A. The current state of the green economy in several Asian countries in the retail sector:

China:

China, currently the world's largest emitter of carbon, has implemented a comprehensive strategy to address environmental concerns. This strategy focuses on six key areas: energy policy, industrial policy, consumer market policy with public sector participation, green public procurement regulations, investment policy, green technology innovation, and management policy. The

ultimate goal is to build a low-carbon economy by optimizing energy structure, reducing coal use, developing non-fossil fuel power plants, and promoting the commercialization of solar energy.

With the goal of reducing carbon emissions, China has actively implemented the 6R strategy, which includes "Reduce-Reevaluate-Reuse-Recycle-Rescue-Recalculate" (Hien, 2023). To ensure the implementation of these principles, the government has issued a series of policies such as the Law on Sustainable Consumption and the Law on Green Procurement. In addition, an open information system has been established to provide comprehensive information on environmental regulations, standards, administrative procedures, and green products. The government also provides financial support to consumers of green products, including subsidies for green products such as energy-efficient appliances and electric vehicles.

Chinese retailers are demonstrating a strong commitment to the green economy trend by promoting green initiatives. Recognizing the importance of sustainable development, retailers are committed to involving all levels of the business in supporting these initiatives. To achieve this, retailers strive to coordinate functions within their business and logistics processes to seamlessly integrate green economic activities (Wang et al., 2013). They focus on investing in green infrastructure and technology. In addition, collaborating with suppliers to design environmentally friendly production and packaging processes is an important part of this strategy.

Furthermore, Chinese retailers are becoming increasingly aware of the importance of the green economy and see it as an integral part of their overall strategy. They are particularly focused on the tangible and measurable benefits of green initiatives, such as reduced operating costs or compliance with environmental regulations. Large and medium-sized retailers are generally more proactive in implementing these initiatives than smaller retailers, due to their financial capacity and scale. Despite still facing some challenges, Chinese retailers have shown great potential for growth in applying the green economy.

India:

In 2017, India ranked fourth globally in greenhouse gas emissions, primarily due to its large population and economy. Although per capita CO₂ emissions remain lower than the global average, they have increased from 0.39 tons in 1970 to 1.91 tons in 2022. Rapid economic growth has intensified pressure on natural resources and greenhouse gas emissions, impacting the country's climate change scenario (Hussain et al., 2023).

In response to severe environmental degradation, the nation has implemented policies to safeguard environmental sustainability. In 2008, India unveiled the National Action Plan on Climate Change (NAPCC), focusing on climate change adaptation while emphasizing the importance of economic growth coupled with environmental protection ("NAPCC – National Action Plan on Climate Change," 2022). By 2014, India further implemented the Green India Mission (GIM), a mission under the National Action Plan on Climate Change (NAPCC). Accordingly, GIM focuses on forest restoration, biodiversity conservation, and climate change response.

Furthermore, India, as an emerging economy, possesses strong growth potential for green products, with an average annual growth rate (CAGR) of approximately 20-25% for green products (Laheri & Malik, 2021). Indian consumers are increasingly aware of green products and favor companies that adopt sustainable practices, such as waste reduction and recycled packaging (Meenakshi et al., 2023). This presents significant potential for the green retail product and service market in India.

However, Indian retailers still face challenges in communicating green product messages to consumers. Although Indian consumers are aware of green products and have environmental concerns, these factors are not strong enough to drive the purchase of green products (Kumar, 2014). These barriers stem from the high cost of green products, customer concerns about quality and effectiveness, and a lack of trust in environmental claims, hindering purchasing decisions. Notably, for organic food and personal care products, the main barriers include high prices, a lack of well-known brands and promotions, coupled with low consumer awareness (Laheri & Malik, 2021).

To meet the global trend of a green economy and provide solutions to address green consumption issues in the country, retailers in India have implemented effective strategies to promote the consumption of green products. Retailers have devised a

range of environmentally friendly business strategies, with a focus on: (1) promoting products with environmentally friendly packaging, (2) ensuring quality and environmentally safe sourcing, (3) designing green stores, and (4) implementing sustainability-oriented marketing strategies (Kumar, 2014). They promote the social and environmental value of products, emphasizing safety, recyclability, and social benefits such as promoting fair trade and supporting local communities, while ensuring credibility through eco-certifications like ECOCERT.

Green retailers in India have fully implemented environmental protection measures. They not only contribute to environmental protection but also build consumer trust through reputable eco-labels. Retailers have continuously strived to meet the country's environmental protection policies, and green retailing is driving a more sustainable future for India, linking economic development responsibility with environmental protection responsibility.

B. The current situation of green economic development in Vietnam in the retail sector:

Rapid economic and population growth has led to a significant increase in waste in Vietnam in recent years. According to the World Bank (WB) forecast, the amount of solid waste generated in Vietnam is estimated to reach 54 million tons by 2030. Every year, the amount of plastic waste discharged into the environment in coastal areas of Vietnam is increasing. Plastic waste accounts for a large proportion, accounting for about 94% in quantity and 71% in weight. Of these, takeaway food packaging is the most common type of plastic waste, accounting for 44% in quantity, followed by fishery waste (33%) and household waste (22%).

Vietnam is one of the countries most severely affected by climate change issues. A recent World Bank (WB) report shows that climate change is having a serious impact on Vietnam. In 2020, damage caused by climate change reached 3.2% of GDP and this figure could increase to 12% - 14.5% of GDP by 2050 without timely response measures.

According to Resolution No. 29-NQ/TW, Vietnam aims to become an industrialized country by 2030, with many industries achieving international competitiveness and creating products of global value, this leads to increasing pressure on environmental and natural resource sustainability. Therefore, the green economic development model is considered an inevitable trend not only to support economic modernization but also to ensure sustainable environmental development and enhance resilience to climate change.

The 13th National Congress of the Communist Party of Vietnam affirmed the policy of "rapid and sustainable development" with a particular focus on promoting a green economy. In the context of the Covid-19 pandemic, many countries are pursuing economic recovery through green growth or "green recovery". For Vietnam, transitioning to a green economy and promoting green growth is not only an essential choice but also an opportunity to become a pioneer in the region and meet global development trends.

In addition, recent changes in consumer behavior reflect a growing concern for businesses that create a positive impact on people, society, and the environment. According to NielsenIQ Vietnam, consumers are gradually adopting a sustainable lifestyle, with 49% avoiding plastic bags, 47% only buying what they need when shopping, 45% saving electricity, and 45% practicing recycling at home (Anh, 2024). These changes underscore a movement towards more sustainable consumption, encouraging businesses to adopt environmentally friendly policies.

In addition to economic factors, socio-psychological elements, such as environmental consciousness and awareness of green packaging, positively influence consumer attitudes. Notably, younger consumers tend to favor products with green packaging due to their strong environmental concerns. However, this concern does not always translate into concrete purchasing behavior. Trust is also crucial in shaping consumer purchasing decisions. Customers will only purchase green products when they believe in their genuine environmental benefits and the credibility of the selling company's commitments (Ty et al., 2021). Other factors like reasonable pricing, product quality, and purchasing convenience also significantly impact consumer purchasing decisions. If green-packaged products are not easily accessible, consumers' green consumption intentions may be negatively affected, reducing their motivation to choose environmentally friendly products.

While awareness of green consumption is gradually increasing in Vietnam, it has not yet reached the prevalence seen in developed countries. Vietnamese consumers are beginning to prioritize environmentally friendly practices, but this process remains slow. A study indicated that although a significant number of people own environmentally friendly shopping bags, they do not use them regularly (Thanh et al., 2022). This highlights a discrepancy between awareness and actual behavior, posing a challenge in changing consumption habits.

The business community plays a crucial and decisive role in promoting the green economy. By implementing green and sustainable economic models, businesses can significantly contribute to reducing carbon emissions, promoting green production and consumption, and achieving "net zero" emissions. Major retail supermarkets in Vietnam, such as Aeon Mall, Lotte Mart, and VinMart, have taken significant steps in promoting sustainable consumption. They have started using biodegradable packaging and limiting the use of plastic (Thanh et al., 2022). This not only protects the environment but also brings convenience to consumers. The goal of retailers in Vietnam is to move towards a more environmentally friendly retail system, contributing to the sustainable development of society.

Implementing a green economy not only brings direct benefits, such as resource conservation, but also protects the environment by reducing greenhouse gas emissions and combating climate change. Moreover, these policies promote economic growth, create jobs, and improve the quality of life in the community, thereby increasing value for businesses.

C. Opportunities

Today, as the global trend gradually shifts toward a green economy, retailers in Vietnam will have clearer opportunities to deploy and apply this model, such as:

[1] The government has enacted laws and policies to support businesses in applying the green economic model. For instance, the Vietnamese government issued the National Green Growth Strategy (2021-2030) to promote sustainable economic development, especially encouraging businesses, including the retail sector, to participate in green supply chains and utilize renewable energy. Simultaneously, tax incentives and financial support policies are implemented to encourage retailers to import and distribute recycled and environmentally friendly products. The Law on Economical and Efficient Use of Energy (2010) has encouraged businesses, including retailers, to implement energy-saving measures and optimize resources. Retailers enjoy incentives when applying energy-saving solutions in management and operation. The Law on Environmental Protection (2020) encourages the use of clean technologies, emission reduction, and resource conservation. In particular, retailers need to comply with standards on waste management, recycled packaging, and reducing plastic use.

[2] Currently, many countries like South Korea, China, India, and Japan have implemented the green economy model. Among them, China and India, two of the largest consumer markets in Asia, have governments that strongly promote the application of the green economy in the retail sector. Vietnam can learn from the experiences of these pioneering countries to apply the green economy model to the retail sector in a way that suits the country's conditions.

[3] Adopting green retail strategies not only helps businesses enhance their image and attract environmentally conscious consumers but also helps them reduce operating costs such as energy and waste disposal costs, becoming pioneers in sustainable development.

D. Challenges

The retail industry in Vietnam still faces many challenges in the context of the trend of developing a green economy:

[1] The government has issued policies to promote the development of a green economy, requiring retail businesses to research and develop products to provide green and sustainable products. However, similar to India, Vietnam is also facing the difficulty that although consumers are concerned about environmental protection, this is still not enough to fully motivate customers to purchase green products.

[2] Although more and more consumers are interested in green products, in many areas, awareness of sustainable consumption is still low. Many customers still prioritize cheaper products over green products, making it difficult for the development of environmentally friendly product lines to reach the majority of consumers.

[3] The transition to green processes and products requires retail businesses to invest in infrastructure, modern technology, and human resource development, leading to high costs when deploying renewable energy systems or green supply chains. Especially for small businesses, accessing and applying advanced technological solutions to improve energy efficiency and minimize environmental impact is a major challenge, due to the requirement for capital and specialized techniques.

V. CONCLUSION AND SOLUTIONS

In the context of sustainable development becoming a global trend, retail businesses need to apply specific solutions to protect the environment and optimize business operations, specifically:

Firstly, retail businesses need to strengthen communication campaigns to raise consumer awareness about the benefits of green products, thereby encouraging green consumption behavior and raising responsibility for environmental protection. Effective education and communication will help businesses create motivation to purchase green products and build a green business image as well as build trust from customers.

Secondly, retail businesses need to seek and collaborate with suppliers who utilize environmentally friendly materials and are implementing sustainable production processes, aiming to establish a green supply chain that helps minimize emissions and waste. Furthermore, retail businesses should prioritize the use of fuel-efficient transportation and limit plastic packaging, enabling them to optimize operations while mitigating negative environmental impacts. These efforts will make green products more accessible to a wider customer base.

Thirdly, retail businesses should approach funding sources, collaborate with strategic partners, and leverage incentives from government programs and policies that support businesses in transitioning to a green economic model to reduce investment costs. Additionally, retail businesses should implement gradual changes and utilize digital technology to optimize processes, reduce waste, and enhance energy efficiency.

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