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DIRECTIONS OF CHANGES IN POLAND'S RETAIL TRADE

Key words: retail trade, stores, chain stores, franchise

ABSTRACT. The aim of the research was to present changes taking place in retail trade in Poland after economic transformation. The diversity of retail sales forms was presented. Five stages of transformation of this sector were isolated. The directions of changes as well as the perspectives for the development of retail trade were indicated. The period under study was the years 1990-2018. This article was prepared mainly on the basis of literature and data obtained from the GUS (Eng. Central Statistical Office) and studies of the former Instytut Badań Rynku, Konsumpcji i Koniunktur (Eng. Institute for Market Research, Consumption and Business Cycles) in Warsaw. During the period under study, retail trade developed in Poland; both in terms of quantity and quality, in addition to a change in the structure of stores. Ensuing changes positively influenced the development of this sector, which, due to increasing demands of consumers, high competition, changes in legal regulations and technological innovations, will require further transformation. There are plans to create unmanned stores in Poland in the near future, without traditional cash registers, to use secure and fast payments thanks to biometrics and use artificial intelligence to optimise turnover and sales management.

INTRODUCTION

Trade is a separate and specialised area of the national economy, which is characterised by moving goods from the production department to consumption [Zakrzewski 1989]. Retail sales, however, focus on the sale of goods and services to the final customer, who can only use them for their own private purposes [Cox, Brittain 2000].

Retail transactions are generally characterised by: a large number of customers, small size of individual transactions, immediate payment for purchased products and close, often personal contact of the seller with the final buyer [Czubała 1996].

The variety of forms and methods of sales used by retailers depends on the purpose of goods, varied frequency of purchase and buying small quantities of products. The appearance of innovations in this area results from the buyers' different preferences regarding the time and place of purchase, choice of assortment, price and quality as well as scope of services accompanying sales. Operations carried out by retail trade are addressed to a very large number of consumers, which reinforces its responsibility for the quality of performed services.

Due to the nature of consumer-seller contacts, retail trade is divided into: stationary, itinerant and mail-order. The variety of forms of retail sales, both in-store and out-of-store, is classified in the most general way by Jerzy Dietl [1991, p. 87]:

- department stores and related types of stores (small format department stores);
- mass sales stores (hypermarkets, supermarkets, discount stores, department stores, grocery stores);
- specialist stores and other forms of fixed-place retail trade (speciality stores, boutiques, arts and craft stores);
- mail-order trade (mail-order stores and their variations – showrooms, duty-free shops);
- electronic forms of purchases made at home (e-commerce);
- vending machine sales;
- itinerant trade, markets, fairs;
- marketplace trade (agricultural markets, intra-rural trade, market halls, bazaars, city markets, greengrocers).

Structural and ownership transformations in Poland after 1989 had a significant influence on multi-directional changes in Polish trade, both in the quantitative and qualitative aspect.

The aim of this research is to present changes taking place in retail trade in Poland after economic transformation as well as to indicate the directions of these changes and prospects for the further development of this trade.

MATERIAL AND METHODS OF RESEARCH

This research is based on a scientific literature review, statistical data obtained from the Central Statistical Office (CSO) of Poland, publications released by the former Institute for Market Research, Consumption and Business Cycles (pol. Instytut Badań Rynku, Konsumpcji i Koniunktur) in Warsaw, and information conveyed on professional websites. The study period extends from 1990 until 2018. To achieve the research goal, methods of processing and interpretation of collected data, mainly comparative-descriptive analysis, were used. The phenomena under study were illustrated in the form of tables and graphs.

STAGES OF CHANGES IN RETAIL TRADE IN POLAND

In Poland, in the 1990s, after the creation of conditions for the functioning of the market economy mechanism, profound structural changes took place. Trade was at the forefront then, as already, in 1990, 94% was privatized. In the first period of transformation, a lot of trade enterprises, mainly small ones, were created with private domestic capital dominating. In the mid-nineties, the Polish market was distinguished by high consumer demand and rising availability of both domestically produced and imported goods and services. In urban agglomerations, such a market situation has resulted in the unprecedented development of large-format stores facilitated by foreign investments. Since there was a shortage of domestic capital in Poland to invest in trade services, foreign capital in the form of direct investment filled this gap.

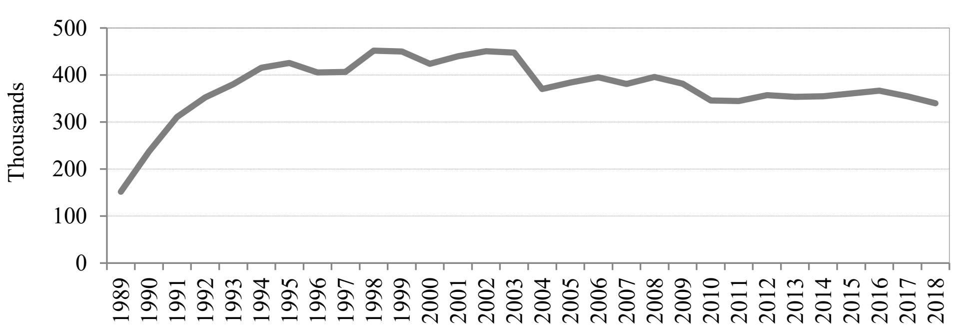

Figure 1. Total number of stores in Poland, 1989-2018
Source: own compilation based on [GUS 1989-2019]

In the years 1989-1998, the number of stores in Poland increased three-fold from 152,071 to 451,785. In subsequent years, a downward trend was noted due to the change in the structure of stores and strong competition (Figure 1).

The process of changes in Polish trade can be divided into five stages:
- stage I, covers the years 1990-1992,
- stage II, 1993-1995,
- stage III, 1996-2004,
- stage IV, 2005-2014,
- stage V, since 2015.

In stage I (1990-1992), changes typical for the process of trade transformation and restructuring started in 1989. In comparison with other sectors, the trade sector was the least demanding, creating the cheapest workplaces. Street and doorstep trading were actively developing during those years, though, over time, it was limited and shifted towards the marketplace and bazaar retail. Booths, kiosks and so-called "jaws" (quickly set up and folded stalls) functioning on sites designated for this purpose were created. As a result of the takeover of retail premises by persons who had formerly been their staff or had leased them, there was a dynamic increase in new private outlets; the number of business entities increased. The share of private ownership in trade operations changed significantly. The rapid privatisation process of Polish trade and the reconstruction of the cooperative mode of business operations[1] caused a rapid decrease in the number of stores in the public sector (in 1991 the decline was 34% compared to 1990). In 1992, private ownership reached 97% of all entities in this sector of the economy, including cooperatives, the core of which was composed of trading enterprises of natural persons (95-98% of the total number of entities) [Banasik 2000]. Joint venture companies also grew dynamically as part of the private sector. Foreign capital in the form of direct investments began to flow into the Polish market. International trading companies applied the "concave strategy" (market diversification) on new markets, i.e. they entered a given

[1] Act on the organisation and activity of cooperatives passed on 20.01.1990 as amended [Journal of Laws, 1990.6.36] closed down central and local cooperative associations. Members and former employees took over the property of the associations.

market slowly and carefully, and afterwards intensified their activity to quickly approach the adopted goal – profit maximising [Sznajder 1992].

Stage II (1993-1995). In this period, enterprises of natural persons (sole proprietor companies) still dominated. The number of cooperatives decreased, with the simultaneous growth trend of business entities incorporated by legal persons in the form of various types of companies. A characteristic feature of ownership changes at this stage was the constantly increasing number of trading companies with foreign and mixed (domestic-foreign) capital on the Polish market. In 1993-1995 their quantity increased by over 63% [Trade Press 2003].

Foreign trade networks mainly invested in large format stores in Poland. The first Polish-Austrian Billa supermarket was founded in Warsaw in 1990. The forerunner of discount stores on the Polish market was the Globi chain, which belonged to the Belgian company GIB Group in 1991. The first hypermarket operating in Poland since 1993 was HIT belonging to the German company Dolhe (Table 1).

Table 1. Beginnings of operations of foreign trade networks on the Polish market

Company name	Year	Company name	Year	Company name	Year
Discount stores		Supermarkets		Hypermarkets	
Globi (GIB Group/ Belgium)	1991	Billa (Austria)	1990	HIT (Dohle/Germany)	1993
REMA 1000 (Norway)	1992	IKEA (Sweden)	1990	Makro Cash &Carry (Holland)	1993
Netto (Dansk Supermarket/Denmark)	1995	E.Leclerc (France)	1992	Geant (Casino/France)	1995
Plus Discount (Tengelmann/Germany)	1995	Leroy Merlin (Auchan/France)	1994	Real (Metro AGD/ Germany)	1995
Biedronka (Jeronimo Martins/Portugal)	1997	Tesco-Savia (Great Britain)	1995	Auchan (France)	1996
Edeka (Germany)	1997	Leader Price (Casino/France)	2001	Castorama (France)	1997
				Tesco (Great Britain)	1998

Source: own compilation based on [Trade Press 2003]

Stage III – 1996-2004, was a period of deepening restructuring processes and modernisation of the trade sector. Ownership transformation led to the almost full privatisation of retail trade companies. Concentration processes deepened, mainly manifesting themselves in the systematic increase in the size of retail trade units. In 1998, there were over 451 thousand stores in Poland (twice as many as in Spain, almost six times more than in Great Britain) and, together with kiosks and stalls, there were almost 950 thousand retail outlets. Thus, the density was 86 inhabitants per store and 40 inhabitants per retail point. In 2000, the average sales area per store was at 62.3 m^2, while per 1000 residents it reached 697 m^2.

The dynamics of investment in trade (146%) exceeded the growth rate of capital outlays in the entire national economy (117%) more than two-fold [Maleszyk 1997]. It was also a period of intensified expansion of foreign trade networks. Over five years, their share in retail sales increased from approx. 3 to 13% [GUS 2001].

In response to growing competition from large and efficient foreign trading companies, many owners of smaller stores in Poland joined commercial networks. Following in the footsteps of the 'Piotr and Paweł' chain stores established in 1990, Polish retail franchise chains, such as: Rabat (1997), Chata Polska (1997) and Delikatesy Centrum (1999), had developed [Wrzesińska 2012].

Stage IV – 2005-2014. The process of trade globalisation was deepening. The accelerated integration of Polish small and medium size companies proceeded in pursuit of a better position on the market. In February 2000, eleven Polish commercial networks formed the Union of Polish Retail Networks. It was composed of 1,637 retail outlets operating almost all over the country. Franchise systems and outlets thrived and their number tripled over the years 2005-2017 (Figure 2).

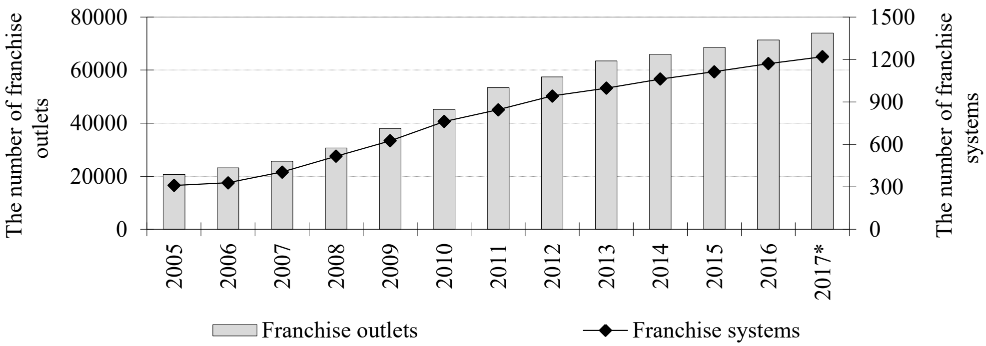

Figure 2. The number of franchise outlets and systems in Poland in 2005-2017
Source: Own elaboration based on [PROFIT System 2017]

Takeovers and mergers of stores and commercial networks were intensifying. The largest stores, i.e. super- and hypermarkets were mainly taken over. French companies dominated among owners of retail chains and large-area stores (Table 2).

Additionally, in that period, E-commerce and logistics services were developed as well as logistics centres with full infrastructure were created.

Stage V – after 2015. In Poland, the multi-format retail trend was visible, i.e. the diversification of trade formats by trade enterprises – combining various store forms diversified in terms of area within one retail trade firm, and thus their better adaptation to the potential of local markets. Trade chains put emphasis on the construction of smaller discount-type stores with a size of 100-199 m^2 and 400-999 m^2. Over the years 2003-2017, the number of small outlets (up to 99 m^2) decreased by 14%, while the number of large-format commercial facilities (400 m^2 and more) increased by 62% (Figure 3).

Table 2. Mergers and takeovers of large-format stores in Poland in 2000-2014

Year	Store chain	Store name	Store type	Number of stores acquired	New owner
2000	GB (France)	Globi	Supermarket	26	Carrefour (France)
2001	Rewe (Germany)	Billa	Supermarket	11	Auchan (France)
2002	Dohle (Germany)	HIT	Hypermarket	13	Tesco (Great Britain)
2002	Jeronimo Martins (Portugal)	Jumbo	Hypermarket	5	Ahold Holland)
2003	Edeka (Germany)	E-discount E-supersam	Discount store	45	Rojal Markety (Poland)
2003	DRD Food Emporium (Norway)	Rema 1000	Supermarket	16	Jeronimo Martins (Portugal)
2003	Ahold (Holland)	Hypernova	Hypermarket	2	Carrefour (France)
2004	Ahold (Holland)	Hypernova	Hypermarket	13	Carrefour (France)
2006	ABC (Poland)	ABC	Supermarket	17	Polomarket (Poland)
2006	Delikatesy Centrum (Poland)	Delikatesy Centrum	Store network	200	Eurocash (Poland)
2006	Geant (France)	Leader Price	Discount store	142	Tesco (Great Britain)
2006	Geant (France)	Geant	Hypermarket	19	Metro/Real (Germany)
2006	Ahold (Holand)	Albert, Hypernova	Supermarket Hypermarket	183 15	Carrefour (France)
2009	Billa (Austria)	Billa	Supermarket	25	E.Leclerc (France)
2014	Metro/Real (Germany)	Real	Hypermarket	54	Auchan (France)

Source: [Wrzesińska-Kowal 2016, p. 27]

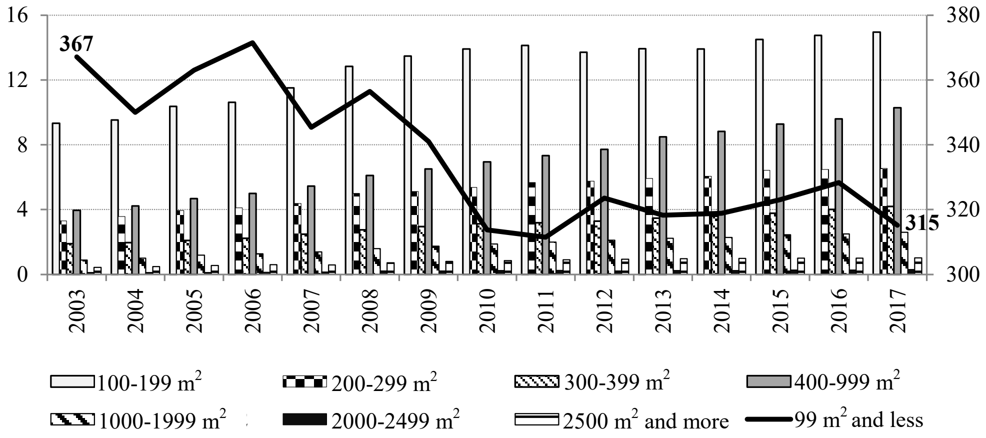

Figure 3. Total number of stores (excluding petrol stations) by sales area in Poland in 2003-2017
Source: [Perelmuter 2019, p. 33]

In addition, multi-channelling in the retail trade developed – i.e. the creation of synergies between online and offline sales, through additional online sales with home delivery and e-commerce development. It was influenced by non-economic factors: the significant role of social media, and the increase in social responsibility – CSR priorities [Kłosiewicz-Górecka 2016].

Over the period of 25 years, along with the development of the market, a change in the sales structure in Poland took place. Retail trade in non-food consumer goods (clothing, footwear, home furnishings) and non-consumption goods (such as building materials and input for agricultural production) increased. In contrast, the sales of foodstuffs, beverages as well as tobacco products decreased. These tendencies indicate that the wealth of the society improved and expenditure structure changed during the period (Figure 4).

On 1 March 2018, an act restricting trade on Sundays in Poland entered into force. According to the new law, in each month in 2018, there were two trading Sundays, in 2019 – one per month, and from 2020 it will be possible to conduct trade on 4 Sundays per year [Journal of Laws, Item 305, as amended].

According to research commissioned by the Ministry of Entrepreneurship and Technology of Poland, trade restrictions imposed in 2018 have influenced both the habits of consumers (who got used to changes thanks to the transition period) and the implementation of changes in business models of retail chains. Only 20% of respondents expressed dissatisfaction. In contrast, 90% of those working in trade positively assessed the ban on Sunday trading [MPiT 2019].

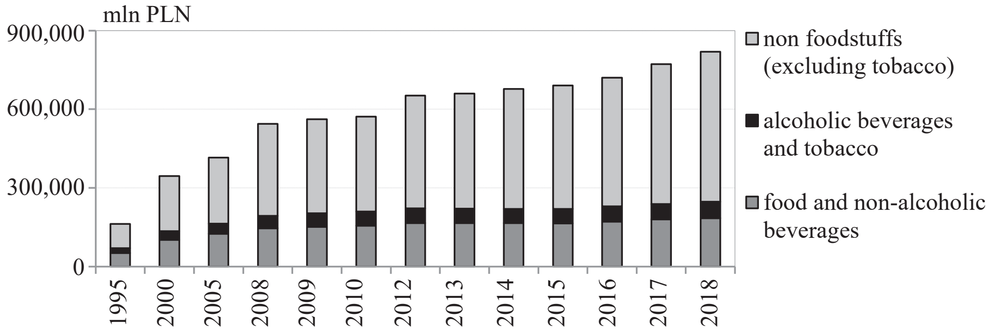

Figure 4. Retail sales and sales structure by product type in Poland (current prices)
Source: own elaboration based on [BDL, GUS 1996-2018]

PROSPECTS OF RETAIL TRADE DEVELOPMENT

Regardless of the successive processes of consolidation in Polish retail trade, the growing importance of discount stores and a reduction in the number of small stores, this trade still remains fragmented. Nevertheless, large modern retail chains (hyper- and supermarkets, discount stores) – through economies of scale – achieve a market advantage and have the ability to implement innovations (including the use of extensive data analytics – big data). Additionally, they have a relatively stronger position in purchase (terms and prices) negotiation with producers [ZPiP 2020].

Small entities rarely use innovative solutions, which results in a further widening gap between them and large retail chains. In the era of strong competition on the market, one of the ways of survival for small and medium-sized retail firms may be basing their business on franchising.

According to the experts of the consulting company 4CF Strategic Foresight, we can expect the following revolutionary changes in retail trade by 2028 [Bednarczyk 2019]:

1. Secure and fast payments thanks to biometrics, and payments by fingerprint or face scan. Biometric payment authentication is used, among others, in Google Pay and Apple Pay mobile applications, which are popular on the Polish market.
2. The creation of unmanned stores without traditional cash registers. Through an intelligent system analysing data from cameras and sensors, payments will take place in the background. In order to do the shopping a special card or application installed on a mobile device will be needed.
3. The clothing industry is working on a system which will eliminate queues for changing rooms thanks to special virtual mirrors that will enable trying on an outfit without changing clothes.
4. The introduction of holograms, i.e. realistic images in shop windows, simulations of appearances (and even touch) of objects and virtual salespeople.
5. The use of artificial intelligence in order to optimise the turnover and sales of goods, improvement of storage processes, management of shelves in stores, and identification of areas with the greatest potential for generating savings.

SUMMARY

During the period under study, retail trade in Poland developed both in terms of quantity and quality, i.e. the number of commercial facilities, their equipment, and customer service culture. A characteristic feature of the business breakdown structure of Polish trade is the presence, on the one hand, of a large number of small stores up to 99 m^2, which constitute about 70% of the total number of stores in the country. On the other hand, there is a small number of large commercial networks, with large capital, usually foreign, and an increasing share in market transactions.

Increasing competition and integration processes on the market force retail trade to become increasingly modern and organised in networks, including traditional retail trade with a small sales area. New forms of trade are emerging, and increasingly modern information and communication technologies are being introduced. Large-format stores are changing strategies; since 2005 they have been investing in smaller retail outlets in smaller cities and, since 2016, have been changing the concepts of their outlets in large cities.

In the near future, there are plans to create unmanned stores without traditional cash registers, use secure and fast payments thanks to biometrics, and use artificial intelligence to optimise the management of turnover and sales.

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KIERUNKI ZMIAN W HANDLU DETALICZNYM W POLSCE

Słowa kluczowe: handel detaliczny, sklepy, sieci handlowe, franczyza

ABSTRAKT

Celem badań było przedstawienie zmian zachodzących w handlu detalicznym po transformacji gospodarczej w Polsce. Przedstawiono różnorodność form sprzedaży detalicznej. Wyodrębniono pięć etapów przekształceń tego sektora. Wskazano kierunki zmian i perspektywy rozwoju handlu detalicznego. Okres objęty badaniem to lata 1990-2018. Pracę przygotowano głównie na podstawie literatury przedmiotu i danych uzyskanych z GUS oraz opracowań Polskiego Instytut Ekonomicznego (dawnego Instytutu Badań Rynku, Konsumpcji i Koniunktur w Warszawie). W badanym okresie nastąpił rozwój handlu detalicznego w Polsce, zarówno pod względem ilościowym, jak i jakościowym, oraz zmieniła się struktura sklepów. Zaistniałe zmiany pozytywnie wpłynęły na rozwój tego sektora, który z uwagi na coraz większe wymagania konsumentów, dużą konkurencję, zmiany w przepisach prawnych oraz nowości technologiczne, będzie wymagał dalszych przemian. W Polsce w niedalekiej przyszłości planuje się powstanie sklepów bezobsługowych bez tradycyjnych kas, wykorzystanie bezpiecznych i szybkich płatności dzięki biometrii oraz wykorzystanie sztucznej inteligencji do optymalizacji zarządzania obrotem i sprzedażą.

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