The development of food retail formats – evidence from Poland

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2 authors:

Edyta Rudawska
University of Szczecin

Katarzyna Bilińska-Reformat
University of Economics in Katowice

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Edyta Dorota Rudawska, Katarzyna Bilinska-Reformat,

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Edyta Dorota Rudawska
Department of Marketing, Institute of Management and Marketing, University of Szczecin, Szczecin, Poland, and
Katarzyna Bilinska-Reformat
Department of Marketing Management and Tourism, Faculty of Management, University of Economics in Katowice, Katowice, Poland

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Abstract

Purpose – The purpose of this paper is twofold: to identify and assess the direction of development of food retail formats in Poland under the influence of a changing business environment; and to identify the key challenges that food retail companies in Poland face nowadays.

Design/methodology/approach – The approach in this paper is a systematic literature review of publications in the Web of Science, Ebsco and Pro-Quest electronic databases from 1990 (from the emergence of large-scale foreign chains in the Polish market) to 2016, as well as the results of research carried out by Polish and international research centers, food retailer groups and institutes. The paper is based on the analysis of secondary data that present the results of research carried out on the Polish food retailing market. These analyses included the development of food retailing formats operating in Poland.

Findings – According to the research results analyzed, the evolution of retail formats is an embodiment of innovations introduced by retail companies and is based on the mutual permeation of elements previously associated with a specific retail format. Currently, the blurring of differences between individual retail formats can be observed in respect of two formats in particular, i.e. discount and delicatessen. The discount format occupies a special position on the Polish market, though it differs significantly from a "classical" discount. In discount stores so-called premium group products can be purchased, with stores more and more frequently being located in expensive places, e.g. in shopping centers or in their vicinity. At the same time, the popularity of convenience stores is increasing with a simultaneous decrease in the significance of large-format stores.

Originality/value – This paper provides interesting insights into the development of food retailing formats in Poland and the influence of changes in the business environment in that process. In addition, the paper describes the specifics of the Polish market, detailing literature-based theories pertaining to the development of retailing forms. It also focuses on the perspectives and directions in the future development of retail formats.

Keywords Poland, Economic crisis, Food retail formats

Paper type Conceptual paper

Introduction

Discussions concerning issues relating to the development of retail trade concentrate, in the majority of cases, on the phenomena of integration observed in the market in question, consumer behavior within the retail trade (Sullivan and Adcock, 2011), the use of marketing tools to influence purchases (Azeem and Sharma, 2015), or the development strategies and strategic choices taken by retail trade organizations (Berman and Evans, 2013). The development/evolution of retail trade formats appears to be relatively rarely analyzed by authors. However, aspects related solely to the food retail trade are sporadically included. Most of such studies, which can be found in the literature relating to the evolution of retail formats in Poland, are fragmentary, describing the development of specific retail formats such as discount stores, supermarkets or hypermarkets. Moreover, these are often reports

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rather than strictly scientific papers (PMR Reports, IBRKK Reports, GFK Polonia Reports, Roland Berger Reports). There is a scarcity of comprehensive studies analyzing the dynamics of development in the various retail formats specified in the literature, together with an indication of the reasons for their evolution (Kłosiewicz-Górecka, 2016). The food trade in Poland is currently carried out through the use of various retail formats. Since the middle of the 1990s dynamic changes have been observed. They relate to not only the increasing number of individual formats but also the development of new business models aimed at building a competitive advantage in a changing business environment. The environment in which food retail formats operate also creates huge challenges, which retail organizations will have to face in future. Thus, the aim of the paper is to identify and assess the direction of the development of food retail formats in Poland under the influence of the changing business environment. These changes refer, among others, to the economic crisis, changing customer behavior, the development of new technologies, increasing competition, as well as the degradation of the natural environment. The authors also aimed at identifying the key challenges that food retail companies face nowadays. The paper accomplishes this through a systematic literature review so it is based on secondary data sources. This method was used to select the most important publications discussing the development of specific food retail formats and the study was based on English and Polish full-text databases. First of all, the content of English-language databases was analyzed. The authors collected and critically analyzed scientific papers in the Web of Science, Ebsco, Scopus, Science Direct, and Pro-Quest databases published between 1990 and 2016; thus providing an exhaustive summary of the relevant literature. The analysis of the databases was aimed at creating narrow sets of bibliographic items, which were then compared with each other to exclude duplicate records. Searches were performed separately for each of the databases. To begin with, searches were performed according to primary keywords, i.e. retail formats. Then, by combining this with a selected keyword limiting the research area, i.e. food and Poland, the results obtained were narrowed down. In the next step, the relevance of a given publication to the area of interest of the authors of this paper was verified. Similar steps were followed when analyzing Polish-language databases, namely, the National Library Catalogues and BazEcon. Because the issues relating to the development of the food retail formats discussed in this paper are subject to dynamic changes, the authors also decided to include research reports produced by specialized agencies and research institutes, which are available on their websites, in order to be able to analyze the latest trends in this market. Therefore, the paper also brings together prior research on food retailing formats carried out by Polish and international research centers.

Food retail formats in Poland – theoretical background and current state

The retail format is defined as an aggregated and standardized "product" of a retail trade organization that the retailer presents to the shopper. The features that determine a format include, primarily, the assortment, the level of prices, the size and accessibility of the store, the manner and level of customer service, the production factors and the manner of their management, as well as the scope of the services provided (Borusiak, 2011; Sławińska, 2010).

The development of retail formats is connected with changes taking place in the business environment of trade entities and the implementation of innovation in the retail trade. At the same time, it must be emphasized that there is no unified universal theory defining changes in retail formats, with those presented in the related literature on the subject being complementary. Brown (1987, 1988, 1991, 1995) proposed dividing theories of retail format innovation into three groups: cyclical theories (e.g. the theory of the retail cycle), conflict-based theories, and environmental theories (Table I). The above theories are not mutually exclusive as they describe the process of evolution from different perspectives. Within the group of cyclical theories the authors focus on innovation and the internal

No.	Group of theories	Authors	Characteristics
1	Cyclical theories	1. McNair (1958) – author of the most famous cyclical theory – the wheel of retailing	The wheel of retailing theory describes retail formats passing through three phases. 1. First phase – an innovative retail format enters the market with a lower status: lower prices, services and range. 2. Second phase – the pressure of competition means the retailer improves its status. 3. Third phase – the final phase of saturation, retailer becomes inflexible. The retail format passes through the previously described phases, thereby forming the wheel of retailing
		2. Hollander (1966) – Author of the Retail Accordion Theory	Retail Accordion Theory clarifies retail evolution as a broadening and constricting trend (like an accordion) in terms of the number of merchandise categories and product assortments. At the beginning of the retail operation, a retail organization carries a broad assortment of merchandise but does not carry a deep assortment. In this early phase, the retail organization is a general store. In next phase the retail organization becomes specialized by carrying a limited line of merchandise with a deep assortment. At this point, the retail organization is a specialty store, and at some point every retail organization returns to the inventory profile of its former operations with a broad assortment of many lines of merchandise
		3. Stern and El-Ansary (1977) – proposed a graphic model of the Retail Accordion theory with breadth of the merchandise line assortment changing across time	Different retail formats as general stores: department stores and shopping centers are the examples of organization types with broad merchandise lines, and they have alternated over time with specialty stores and boutiques which represent organization types with narrow merchandise lines. Some researchers have attempted to explain retail organization type evolutions using the accordion theory
2	Theories of conflict	1. Gist (1968) – The Dialectic Theory of Retail Evolution is based on Karl Marx's Theory of Evolution	In this theory, an assumption was made that a current retail organization is challenged by a competitor because it has a competitive edge over the existing retail format. As time passes, the first retail organization recreates the characteristics of the competitor to upgrade its existing characteristics and finally develops a new retail organization. In an alternative explanation of the process, when two retail organizations are in conflict, a new retail organization is created, offering better characteristics than the existing retailer and its competitor
		2. Oren (1989) – The Dialectic Process Theory	Oren (1989) reaches the conclusion that the dialectic process theory offers the most encompassing, simple, and logical framework for the understanding of recent retail metamorphoses. He contends that there are two established retail forms offered: traditional (store based) and direct marketing (home-based) and both these forms have been converging in recent years. As this convergence has taken place, a new retailing form has started to emerge: electronic direct marketing. The dialectic theory is an organizational approach and not a situational approach. Relating to strategies of retail evolution, this theory revolves only around the aspect of competition
3	Environmental theories	1. Arndt (1972) and Cundiff (1965)	Retail institutions which have the ability to adapt to changes in the environment may survive. Those not able to adapt to new conditions will decline. Among studies based on the environmental view a few focus on specific elements of the environmental mix. The environmental view is strongly influenced by a Darwinian ecological perspective, natural selection and survival of the fittest. Environmental theories in general, as well as environmental views of retail change, are strongly focused on the environmental conditions and in some way neglect the different retail institutions own opportunities to initiate change regardless of changes in the environment

Sources: Adapted from Brown (1987, 1988, 1991, 1995), Bucklin (1972), Hollander (1960), Bartels (1981), Dreesmann (1968), Arndt (1972), Cundiff (1965)

Table I. Theories characterizing changes in retail formats evolution of retail formats. Other authors (Bucklin, 1972; Hollander, 1960; Bartels, 1981; Dreesmann, 1968) refer to environmental theories, where particular importance is placed on external business conditions and the development of formats. According to the conflict theory, changes in retail formats are the result of conflicts between different retail formats and different categories within a single format, referring to inter-format and intra-format conflict. Changes in retail formats are determined by the influence of a large number of factors. Arndt (1972) and Cundiff (1965) perceive the development of retail formats in the context of the economic development of a country. The level of personal consumption and the geographic concentration of the population determine the number of customers per retail format, as well as the sales volume by retail format.

The assumption of the paper is that the food retail formats in the Polish market derive from a combination of changes connected with all three trade theories described above. To a large extent, the external conditions relating to competitive activity, the advancement of new technologies and environmental factors, as well as increasing customer demands, are responsible for the changes in retail formats. Nevertheless, the determinants that significantly influence the development of retail companies also include the resources that companies possess, i.e. knowledge, experience, and previously applied business models, etc. At this point, it would also be worth referring to the Izraeli theory (Izraeli, 1973), which combines theories based on cyclic phenomena, the theory of inter-format interactions and the theory of environmental impact. Following Izraeli (1973), the basis for format changes includes a bi-polar approach to the scope of innovation. The first case refers to the minimization of costs while the latter is targeted at providing maximum quality. Such an approach refers to the concept of sources of competitive advantage by M. Porter – low costs and differentiation.

In 2015, the food market in Poland was worth almost 243 billion zloty (Grocery Retail in Poland, 2015). Since 2005 its value has increased, on average, by half, with the majority of growth having been generated by changes in consumer goods (and since 2005 inflation has reached a total of 25 percent). The development of the food market in Poland has mostly been generated in the segment of discount and convenience stores. According to PMR Consulting & Research and Ronald Berger Strategy Consultants, the market has reached the maturity phase in Poland, i.e. at present it is not susceptible to sharp and significant changes depending on the deterioration or improvement of the economic position of consumers or possible changes among the biggest enterprises operating in the food market (Grocery Retail in Poland, 2015; The Polish Grocery Retail Market in 2010-2020, 2016). It could be worth noticing that despite deflation in food product prices, the market is still developing.

Changes in retail formats are connected with the development of modern grocery retailing, which covers hypermarkets, supermarkets and discount shops, and member states (MS) of the European Union can be generally grouped into three categories (European Commission, 2014):

(1) MS where modern retail had already developed before 2000 (at least 65 percent of the total food market) and has maintained this high modern retail market share – Germany, Finland, UK, Sweden, France, Luxembourg and Austria;

(2) MS where modern retail has developed particularly since 2000 and is significantly higher in 2011 than 2000 – e.g. the Netherlands, Estonia, Belgium, Ireland, Spain, Portugal, Hungary and Slovakia; and

(3) MS where modern retail has developed significantly but remains relatively low compared to other MS (less than 50 percent of the total food market in 2011) – this includes Latvia, Poland, Cyprus, Bulgaria and Romania.

Modern retail constitutes a huge part of the grocery retail market in most of the EU 27 markets; although traditional retail still makes up a majority of the grocery market in many newer EU members, with Romania and Bulgaria topping the list of traditional grocery retail market share (20 to 30 percent of modern retail in 2011) as well as Poland. New EU members are also the most dynamic in terms of the growth of modern retail. Whilst the share of modern retail in the grocery market increased by only 5.7 percent points in France and 0.7 percent points in Germany from 2004 to 2012, this growth reached 20.9 percent in Romania and 18.9 percent in Poland over the same period (European Commission, 2014). The development of retail formats in Poland is undergoing changes similar to other European markets, especially to the Italian and French-German-Spanish model of retail evolution in the 1960s/1970s and to that of the 1980s/1990s in Italy and Spain (Maleszyk, 1998). A growing interest in healthy lifestyles, a preference for regional products, the increasing activity and participation of customers in being co-creators of an offer (Table II) as well as the increasing pace of life are some examples.

Looking at different European countries, differences in the level of concentration for the sector as well as the share of individual retail formats in total food sales can be observed. In comparison to Belgium, the Czech Republic, Denmark, Hungary and France, Poland has a significantly lower retail trade concentration (37 percent), which in the other countries exceeds 50 percent. As regards sales through specific retail formats, Poland has one of the highest shares of food sales through the discount store format (14 percent). Only Denmark (with a 31 percent share) and Belgium (with 17 percent) have a larger share of discount stores in total food sales (The economic impact of modern retail on innovation and innovation in the EU food sector, 2014).

Contemporary business environment in food retail industry in Poland

Among the factors that most dynamically influence the Polish food retail market, the following might be indicated: demographic factors, economic factors, changes in consumption patterns, the advancement of technology and innovation, the changing natural environment, and an intensifying consumer flow. A description of all the trends exceeds the scope of this article; therefore an emphasis will be placed on those which, according to retail market analysts, have exerted the greatest impact on the development of retail formats in the Polish food market in recent years (Na rozdrożu. Wyzwania i priorytety sieci spożywczych w Polsce, 2015). The activities of retailers are determined, to a large extent, by economic factors, including the occurrence of economic crises in the world, and the 2007 economic crisis, which commenced on a large scale in the USA, has brought changes in customer behavior (Simon, 2009; Wenzel, 2009; Roche *et al.*, 2009; Lamey *et al.*, 2012). Customers under financial pressure caused by the uncertainty of such situations concentrate on the benefits connected with the costs of purchase, minimizing the purchase risk while obtaining "hard" visible purchase benefits (Simon, 2009). Retailers, by taking advantage of such knowledge, redefine their previous business models. The result is an evolution of formats that combine the key distinguishing factors of discount stores, convenience stores and delicatessen (supermarkets of an up-scale type) – often defined as "discountvenience."

New technologies are a significant factor determining the development of retail trade formats in Poland. On the one hand, they enable a shortening of the time for introducing market novelties, trade entities to increase the convenience and comfort of using their services, as well as make it easier for retail chains to create unique customer experiences or customers' active participation in the processes of creating the expected value proposition. On the other hand, they pose a significant challenge to retailers for providing clients with multi-channel access to the company's offer (Rigby, 2011).

Another determiner of changes in the food retail industry is globalization and increased competition. Apart from leading foreign chains, numerous Polish retail chains of small shops and supermarkets operate on the market. However, the food market is consolidating year by year and the ten biggest companies generate more than half the sales on the market. Small chains and individual stores are more and more frequently choosing to be incorporated into franchising chains or they try to be more specialized. Globalization processes also bring

Table II. Description of contemporary customers of retail trade chains in Poland

	Customers as passive audience			Customers as active players
Time ranges	Inducing initially defined groups of buyer 1970s and early 1980s	Transactions with individual customers Late 1980s and early 1990s	Long-term relationships with individual customers Second half of 1990s	Customers as co-creators of value, e.g., in commercial chains through demanding products of relatively high quality for "reasonable prices" – creation of own labels Since 2000
Customer's position	Customers are perceived as passive buyers with initially determined purchasing structure			Customers are a part of strong network, co-creating and bringing out the value of a business. They are co-workers, co-authors and co-competitors. Easier communication means companies struggle for customers on the internet e.g. presence of a chain on Facebook
Managers' convictions	Customer is a statistical mean of the group initially determined by the company	Customer is an individual entity or a statistical entity in a transaction	Customer is a person and the goal is to establish trust and a relationship	Customers are not only individuals, but also part of a social and cultural environment
Relationship company – customer and offer development	Traditional market research and surveys; products and services are created without feedback	Shift from sale to helping customers through services and customer service programs; identification of problems allows for changing the offer on the basis of feedback	Reaching customers through observation of users and identifying solutions by leading users; changing offer through thorough offer redevelopment	Customers co-participate in the development of personal experiences (located in commercial centers that provide experiences). Companies and leading customers jointly perform the role of education, shaping expectations and the co-creation of market approval for products and services
Goal and flow of communication	Gaining access to initially determined target groups. Unidirectional communication	Marketing based on databases. Bi-directional communication	Relationship marketing. Bi-directional communication and access to customers	Active dialogue with customers for the purpose of meeting their demands and to create word-of-mouth marketing. Multiple access and communication
Areas of increased marketing activity of chain	Price-related instruments	Development of commercial marketing-mix	Application of instruments of relationship marketing	Development of new alternative channels of sale, e.g. online, increased formation of own labels, search for alternative methods of communication with customers, diversification of assortment offer, creation of own selling formats, employing celebrities in promotional campaigns

Source: Adapted from Prahalad and Ramasvamy (2005) negative side effects in the form of pollution of the natural environment, damaging the balance of the global ecosystem, or widening the disproportionate inequality in living standards. Thus, among the key trends occurring in the contemporary business environment of retailers, the concept of sustainable development has appeared (Gupta and Pirsch, 2008). Today, it entails the necessity of a change in business philosophy, e.g. incorporating environmental or pro-social aspects into business models.

A significantly increasing trend in recent years in Poland is changing consumer behavior and, as a result, the occurrence of new patterns of consumerism. A growing interest in healthy lifestyles, a preference for regional products, the increasing activity and participation of customers in being co-creators of an offer as well as the increasing pace of life are some examples. As for the food trade, a phenomenon that is developing in Poland quite rapidly is consumer ethnocentrism. Research, using the CETSCALE, shows that Poles are becoming very attached to local products (Gutkowska, 2004; Bilińska-Reformat, 2014; Bilińska-Reformat and Dewalska-Opitek, 2014; Angowski and Lipowski, 2014).

The development of food retail formats in Poland – retrospective perspective

The political, social and economic changes that took place in Poland at the turn of the 1990s, and the subsequent processes of a globalizing economy, were reflected in all industries. The fastest transformations, however, were observed in the food retail trade. Until the 1990s the national market was dominated by state-owned trading enterprises, which operated under a system of central management. In the first half of the 1990s, the period of internationalization, market concentration and the diversification of food retail formats began. Most entities operating in this area in Poland became privatized, which led to a large number of small trading entities being established during the first period of changes, dominated by national private capital. In 1990 private ownership constituted as much as 94 percent (Wrzesińska, 2008). Over time, conditions were created for the development of huge retail chains with foreign capital, as a result of which Poland was flooded with German, French, British, Danish, Portuguese and Swedish capital. It triggered, in the mid-1990s, a dynamic development in modern formats of the super- and hyper-market type of chains, followed later by discount stores. The process of internationalization was very rapid as Poland was evaluated as one of the most attractive emerging markets for foreign chains. According to analyses conducted by A.T. Kearney Company, Poland was placed second in 1995 in terms of investment attractiveness for retail chains, just behind South Korea (Kearney, 1995).

Poland constitutes the only country in Central Europe where the dynamics in the processes of internationalization were particularly high (Wrzesińska, 2008). The Polish food retail market is also characterized by a strong level of concentration with regard to the source of capital (The Polish Grocery Retail Market in 2010-2020, 2016). Foreign retail chains, offering food products, comprise three types of mass retail formats: hypermarkets (63 percent of the total number of hypermarkets in Poland), supermarkets (13.5 percent of the total in this trade format) and discount stores (91 percent of the total number of discount stores in Poland) (Wrzesińska, 2008).

The first modern large-format stores began to appear at the beginning of the 90s. The pace of growth for such formats in Poland was very high (Figure 1), and within a short period Poles had become fascinated with them due to the possibility of fulfilling various needs in one place. Due to the fact that super- and hypermarkets were often located in shopping centers, Poles started treating purchases in such stores as a form of leisure. According to the data provided by the Main Statistical Office, in 2015, approximately 600 hypermarkets and more than seven thousand supermarkets operated in Poland.

In recent years, however, a slow-down in the development of large retail super- and hypermarket formats has been observed in Poland. The reason for this is mainly due to their

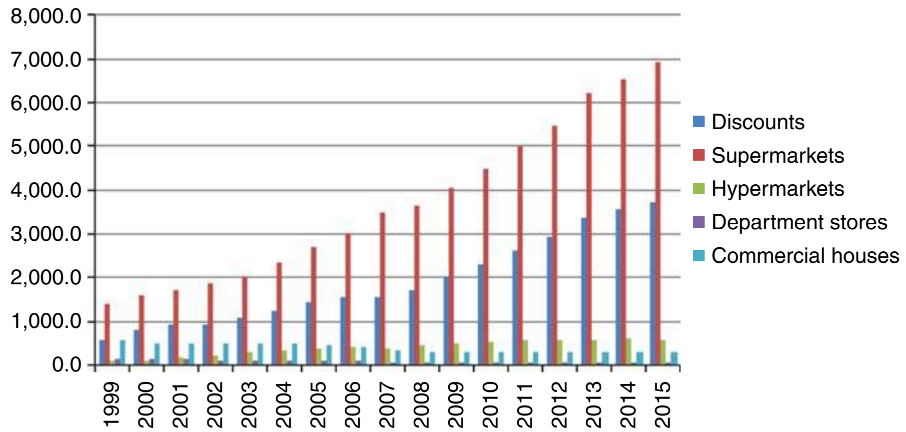


Figure 1. Dynamics of changes to modern sale channels in Poland from 1999 to 2015

Source: Adapted from Wrzesińska (2008), Ejchart (2007), Main Statistical Office (2015, 2012, 2011, 2010, 2008)

distance from the customers' place of residence and the higher level of prices compared with discount stores. The loss of clients from super- and hypermarkets as a place for purchasing food products also reflects a change in the purchasing habits of Poles. At present, these are changing from doing large shopping once a week toward smaller shopping done more frequently and in the vicinity of the place of residence (The Polish Grocery Retail Market in 2010-2020, 2016). As regards hypermarkets, in many European countries such as Germany, Spain, Portugal, France and the UK the situation is difficult. This is caused by such factors as rising land and development costs, difficulty in finding appropriate sites, increasingly restrictive planning legislation, apparent saturation in some markets, lack of investment, less "one-stop" shopping, shifting customers trends towards convenience, and online migration (Tackett, 2014).

An interesting retail trade format for food products is discount stores. At the end of the 2014, almost 3,600 discounts operated in Poland, and their growth dynamics reached 9-10 percent annually (Kłosiewicz-Górecka, 2016). The first store of this format was opened in 1995 under the Biedronka brand. In only two years, the company increased the number of stores to 200, and in 2015, the number of outlets reached almost 2,700 stores, becoming the largest chain of discount stores in Poland with a 15 percent share of the food retail trade (Nadal przybywa po 300 dyskontów rocznie, 2005). A significant aspect, with reference to the evolution of the discount type trade format, was the launch of the Lidl chain into the Polish market in 2002. Both chains at first based their business model on a hard discount formula, i.e. low standards and low costs (Borusiak, 2016). The discount model constituted an effective way of gaining a market position and competing, especially with super- and hypermarkets in Poland, due to the huge price sensitivity of Poles. Over time, however, the increasing demands of discount store customers became the main factor in the development of a new business model among discount chains. The Lidl chain in Poland began a process of evolutionary changes to the concept of such formats by improving the offer toward broadly understood quality. The change of image was introduced by the development of branded products (associated with high-quality products from Italy, Spain or France) as well as the introduction of their own De Luxe brand. A significant element of the repositioning strategy of the Lidl brand was extending the range of fresh products and products coming from Polish suppliers. Despite the fact that Lidl was not the first discount chain in Poland, it became the initiator and creator of changes taking place in the food retail format, inspiring competitors, especially

Biedronka to follow. These changes in strategy resulted in the creation of a new retail format in Poland, no longer associated with typical discounts and, at the same time not classified as supermarkets. The image of "a store of low prices and low quality" was replaced by an image of a "rational store" targeted at, e.g., smart shoppers (Borusiak, 2016). This remains in line with the premise of the above-mentioned theory of Izraeli. At present, discount stores are the most popular food retail format in Poland, which is at the same time characterized by the highest level of customer loyalty. In total, 75 percent of the Poles do their shopping in discount stores (Kłosiewicz-Górecka, 2016). The evolution of the discount store format observed in Poland is not a new phenomenon. Similar changes have also occurred in other European countries such as France, Germany and Austria (Perrigot *et al.*, 2007).

Another format targeted at more demanding customers includes the chains of upscale supermarkets like "Piotr i Paweł" and "Alma." Unlike discount stores, they offer a much wider assortment, a bigger share of fresh products, a higher standard in terms of interior design and customer service, as well as higher prices. However, to strengthen their competitive position they nowadays reduce their prices, carry out aggressive promotional campaigns and narrow down their assortment. The elements which have so far created the identity of a delicatessen and constituted the basis for its distinction, i.e. "premium" products, has stopped determining the uniqueness of these retail formats due to the implementation of a strategy by discount stores. This results in a situation where both retail formats, i.e. discounts and delicatessen, after entering the Polish market through implementing entirely different business models, are currently becoming alike.

One of the most dynamically developing formats of the food retail trade in Poland, after discount chains, is the format of convenience stores, i.e. stores where consumers may do their shopping, usually supplementary, quickly and in a close proximity to their place of residence. The specificity of these stores includes higher than average prices and a limited assortment. In 2012, the format had a 1.4 percent share in the value of food retail sales (Dla Handlu.pl, 2013). It is estimated that in 2019 this share will increase to 5.6 percent, and the value of sales within the convenience segment will rise from PLN 35.1 billion in 2015 to PLN 37.1 billion in 2016 (Wyborcza biz, 2016). It is worth mentioning that in terms of the number of convenience stores Poland (6,585) ranks fourth in Europe, behind the UK (25,442 stores), France (11,940 stores) and Germany (8,286 stores) (Tackett, 2014).

In Poland, the role of small retail sale formats specializing in a narrow offer is increasing. This format includes health food stores, shops offering items of foreign cuisine, bakery shops, fishmonger's shops and butcher's shops. Specialized food product shops numbered more than 29 thousand in 2014, i.e. almost 10 percent more compared with 2008. The largest shares in this food retail trade format group are grocery stores (74 percent), butcher's shops (9.5 percent) and bakery shops (7.2 percent) (Kłosiewicz-Górecka, 2016). The increasing pro-health and pro-ecological awareness of Poles has led to the rapid development of shops with healthy food. It is estimated that the value of the eco-market in Poland reached PLN 700 million in 2015 and will increase by approx. 20-30 percent annually (Przybylak, 2015).

Important formats of the food retail trade in Poland are so-called market squares and marketplace halls. Almost half of Poles buy fresh fruit and vegetables there (in the EU this is 33 percent, on average), while one-third of Poles buys meat at such places (Zwyczaje zakupowe Polaków, 2013) even though the prices are often higher than in supermarkets. According to data provided by the Main Statistical Office (GUS), the number of permanent stands in Poland exceeded 2.3 thousand in 2009, while every year more than seven thousand seasonal stands are opened (Polacy lubią bazary, 2016). Within the European Union, only Italy has a higher percentage of retail trade market places. In Poland, this trade is estimated to be at a level of 1.7 percent while in Italy it exceeds 2 percent. It is estimated that the revenue generated by this food retail trade format amounts to several hundred billion zloty (Hawryluk and Mazurkiewicz, 2014).

Food retail formats in Poland – prospective perspective

Currently, retailers look for a business model, which will, on the one hand, enable a reduction of costs in the business and, on the other hand, generate revenue from new sources. This refers mainly to large-format stores, which year by year generate weaker and weaker operational results. It is estimated that in the next ten years, the share of the large format retail stores in Poland will even decrease by 20 percent (Poświata, 2016). This change in purchasing behavior by Polish consumers and, as a result, their desertion of large retail formats, will trigger the phenomenon of these chains creating smaller retail units located near consumers' place of residence (the multi-format phenomenon). As a result, it will bring the trading formats of these stores closer to convenience stores.

Furthermore, during the coming years the growth of discount stores in Poland should be expected to continue, though not as dynamically as in previous years. According to the Market Side research company, it is indicated that if current trends and consumer preferences are maintained, the target size of the discount market in Poland will reach five thousand retail outlets (Portal Spożywczy, 2013). Discount stores will intensify actions connected with expanding their own brands to all price levels, including premium group products.

A significant trend that will be observed in Poland in the coming years is the further convergence of individual food retail formats. The differences, though, will not become entirely blurred due to the range of the offers and the inclusion of own brands in individual formats. Discounts are getting closer to supermarkets via the movement toward quality, while supermarkets have made a step toward discount stores by introducing own brands into their assortment as well as strong price competition. The chains, which until recently used to be defined as delicatessens, avoid using that name today so as not to be associated with expensive products.

Multi-channeling (e-trade and m-trade) is another trend food retail formats will soon have to face (Schramm-Klein, 2003). The challenge faced by retailers nowadays is the creation of integrated and cohesive trade offers that are becoming a significant part of the virtual consumer world, often functioning on four screens – smart phone, tablet, PC and TV. Through multi-channeling, customers can have a cohesive purchasing experience by accessing the offer of the same retailer in various places. Even though food sales via the internet constitute only 0.24 percent of the value of the whole food market, the forecasts of market analysts indicate that by the end of 2,020, this share will be increasing by at least 20 percent annually. According to research conducted by Payvision, Poland is in the third place, following Germany and Spain, when it comes to the most dynamically developing market growth in e-trade and m-trade. This trade is estimated to be at a level of 22.6 percent, while in Germany it amounts to 25 percent and in Spain to 24.8 percent (Bartosiewicz, 2015).

A significant direction in food retail trade evolution will be the broader application of new technologies (e.g. mobile applications, self-scanning technology, augmented reality, beacons, virtual stores, micro location technology). They are supposed to, first and foremost, facilitate the consumer purchasing process and create an exceptional customer experience. Second, they are associated with retail chains respecting the latest trends connected with the concept of sustainability.

Conclusions and discussion

The results of this study support the assumption that direct linkages exist between the development of food retail formats and changes in the retail business environment. Considering the changes in retail formats within the Polish trade in food products, one may state that they are conditioned by numerous factors, both global and local ones, connected specifically to the Polish market. In order to present them in the most transparent manner, the authors decided to use the LoNGPESTEL analysis (Local, National, Global, Political, Economic, Social, Technological, Environmental, Legal), presented in Figure 2. This analysis makes it possible to group the global and local factors affecting the functioning of companies. The factors presented were identified by means of analyzing reports and studies concerning the Polish food market (Tackett, 2014). The development of retail trade formats in Poland has been affected by such factors as the economic crisis, the advancement of new technologies, and the pace of innovation implementation, including product-, organization-, and marketing-related novelties. Furthermore, local factors also determine the development of specific retail formats. In Poland, customers are used to doing shopping "next door," which determines the dynamic development of convenience and discount stores. Their ethnocentric behavior when purchasing food affects the choice of Polish product brands and the cooperation with food manufacturers from Poland.

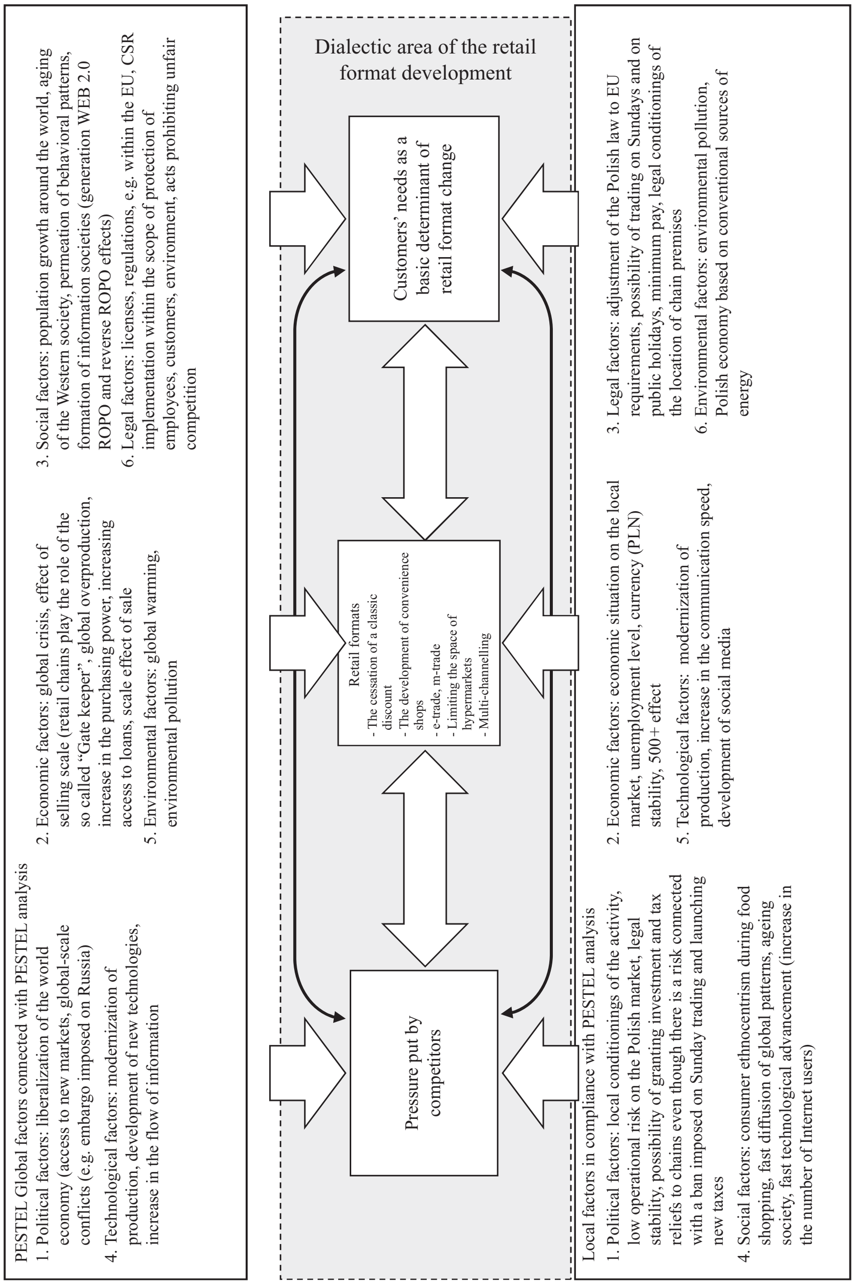
The results of the analyses show that all the retail formats strove to provide customers with the expected value (low prices, high-quality of products, proximity to stores, diversified product offering). The offerings desired by customers serve as important guides as to how retailers should develop their offerings in terms of product assortment, price, communication and location. Discount chains in Poland are becoming increasingly similar to supermarkets, communicating to customers that they offer high-quality goods at attractive prices. On the other hand, supermarkets are increasingly emphasizing the possibility of purchasing their own brands, thus guaranteeing access to cheaper offers. Supermarkets with a small sales area are becoming more and more popular as convenience stores among Poles.

From a managerial perspective, the present study combines several contributions of marketing professionals regarding the strategic development of retail formats. The findings of this study indicate some key elements that play a significant role in creating competitive advantage in the food retail industry. The greatest chances of development will be enjoyed by those organizations that will be able to provide real value to customers, meet their expectations via innovative skills, and create a unique experience at the point of sale. The key element is a skillful use of multi-channel systems in the near future for the purpose of reaching customers as well as strengthening relationships with customers. Maintaining a competitive advantage will require constant improvements in the quality of service, investment in new locations, and completing a re-modeling strategy connected with new designs of stores and an increase in their visual attractiveness. Despite the fact that for the majority of customers in Poland price still constitutes the basic element determining purchases, Poles are paying greater attention to the atmosphere accompanying shopping, the design of retail outlets and the convenience of shopping.

As regards the hypermarket format, important strategic options will include reducing or subletting the sales area in order to lower costs and fulfill the needs of customers, who increasingly want to buy fresh products (expanding the food offering) and have the possibility of consuming food on the spot (adding catering services).

From an academic point of view, the research examines some relevant questions in the fast changing field of knowledge under consideration. It is important to highlight the role of changes in the technological environment, growing competition among retailers and the changing expectations of customers; which have resulted in a dynamic increase in the demand for new technologies in the retail trade, eco and ready-to-eat products, ethical and socially responsible business models of retailers, as well as new retail formats and multi-channel retail systems. These are completely new trends in the Polish market.

The research also has some limitations, which will create challenges for future research. A key limitation of this study is the fact that it is based on desk research and secondary data. Second, the research is limited mainly to the Polish market and considers only a limited number of comparative analyses among European retail markets.



Source: Own study

Figure 2.
Factors determining the development of retail formats in Poland analyzed in the light of the LongPESTEL analysis

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About the authors

Edyta Dorota Rudawska, PhD, is a Professor and the Head of Marketing Department, Head of Management and Marketing Institute at the Faculty of Economics and Management, University of Szczecin in Poland. She is interested in issues regarding customer relationship management, loyalty building, customer equity, marketing management and company's value. She is an author or co-author of 200 publications, including articles and conference papers published in Polish and foreign periodicals. She has been publishing in periodicals such as: *British Food Journal*, *International Journal of Management Cases*, *World Journal of Retail Business Management* and *World Journal of Management & Economics*. She is an author of the book *The Significance of Customer Relations in the Process of the Development of a Company Value* (Szczecin University Publishing, 2008) and *Customers' loyalty* published by Polskie Wydawnictwo Ekonomiczne – PWE (Polish Economic Publishers – the biggest and most recognized publisher of books in economy in Poland) and co-author of the books: *A*

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Katarzyna Bilinska-Reformat, PhD, is a Professor and the Head of Marketing Management and Tourism Department at the Faculty of Management, University of Economics in Katowice in Poland. She is interested in issues regarding retailing, customer relationship management, retail chains strategies, purchase marketing, marketing management and distribution systems. She is an author or Co-author of 180 publications, including articles and conference papers published in Polish and foreign periodicals. She has been publishing in periodicals such as: *International Journal of Management Cases*, *Business Excellence*, *Journal of Economics and Management* and *International Journal of Sales, Retailing and Marketing*. She is an author of the books: *Relationships of Retail Trade Chains Against the Background of Global and Local Conditions*, Publisher of the University of Economics in Katowice, 2015 and *Distribution Strategies in the Marketing System of Polish breweries*, Academy of Economics in Katowice, 2003. She has also run many business research studies for companies and has been a Consultant in marketing. She is a co-author of the methodology of pro-innovation advisory services for SMEs, under the name "Marketing Audit of Young Firms", implemented by the Upper Silesian Agency for Promotion of Entrepreneurship SA in Katowice; and a co-author of the methodology pro-innovation advisory services for SMEs, under the name of "Audit of Marketing Needs", implemented by the Upper Silesian Agency for Promotion of Entrepreneurship SA in Katowice. She participated in German-Chinese teaching project conducted by North China University of Science and Technology, Tang Shan, i.e., from April 11, 2016 to April 21, 2016 and June 12, 2016 to June 24, 2016.