Wiesław Ciechomski[1]
Department of Trade and Marketing
Poznań University of Economics

Evolution of the food retail trade in Poland

Abstract. The food retail trade in Poland is undergoing significant structural changes. The changes basically consist in a dynamic increase in the number of large-format stores, and also in the processes of integration and concentration of trade. In the food trade there are also qualitative changes taking place, in the form of implementing innovations and modern methods of managing the stores. These questions are brought up in this article.

Key words: food trade, FMCG (Fast Moving Consumer Goods) market.

Quantitative changes in the food trade

The aim of the article is to describe the food retail trade evolution that has taken place over the last decade. The changes consisting in an increase in the number of large-format stores result from the globalisation of trade. They are highlighted by the process of concentration of trade which consists in taking over a bigger and bigger volume of turnover by supermarkets, hypermarkets and discount shops. In the paper, statistical data as published current by the GUS (Central Statistical Office of Poland) and poll research centres GfK Polonia, Pentor and PMR are made use of.

The dynamics of structural changes that have been occurring in retail trade in Poland since the beginning of political transformation is considerable. During the two decades between 1989 and 2009, the space of retail shops doubled, from 14.4 to 29 million square metres, which depicts an unprecedented development of the trade sector. Fig. 1 presents data on changes in the number of shops with surface exceeding 400 square metres in Poland in the years 1995-2008 and the function presenting the pace of increase of those modern shopping centres.

The premise for crucial structural changes taking place in the food trade in Poland is, first of all, a dynamic growth of the chain of supermarkets. Such shops are large format stores of the surface area of minimum 2500 m², having at least 10 points of sale and applying only the self-service form of sale. It is worth mentioning that some market research companies assumed in 2007 a major change in rating shops among hypermarkets, as the criterion of the surface area was lowered down to 2000 m².

Hypermarkets sell, at comparatively low prices, a very wide and relatively shallow range of FMCG (Fast Moving Consumer Goods), such as foodstuffs, household chemistry, cosmetics, clothing etc. Such shops, because of their one-storey construction, are located as a rule in the suburbs, thus it is necessary to provide a spacious parking lot for car owners, and a free bus transport facility for those who do not own a car.

---

[1] Dr, e-mail: w.ciechomski@ue.poznan.pl

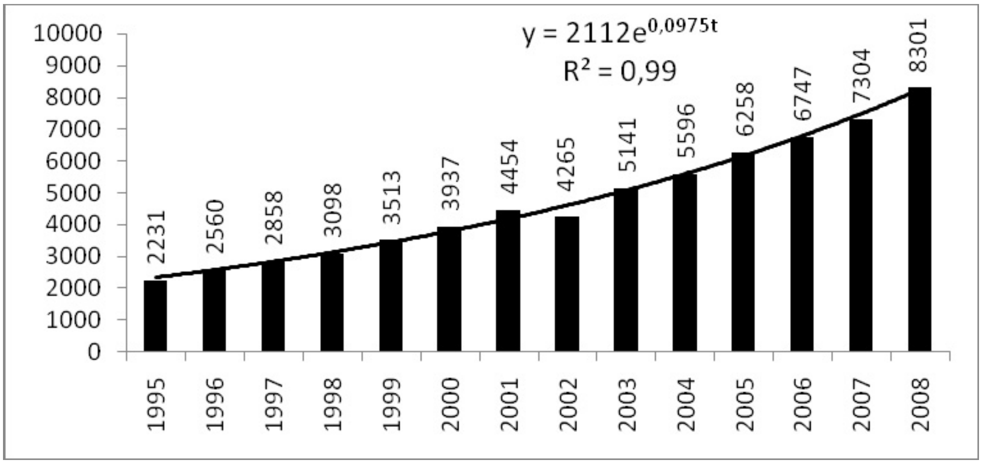
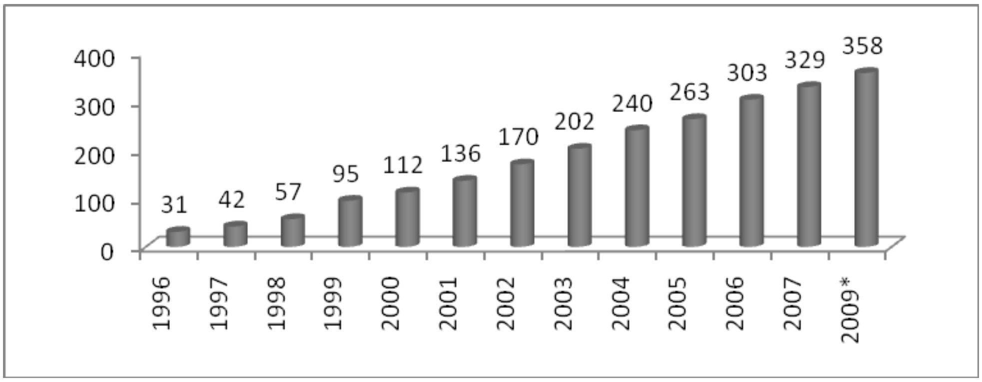


Fig. 1. Number of stores with the surface area exceeding 400 m² in Poland in the years 1995-2008

Source: own study based on data from the GUS (the Central Statistical Office of Poland).

Figure 2 and Table 1 present statistical data on the number of hypermarkets stocking foodstuffs as well as the pace of expansion of the largest chains of such type of stores.



2009* - state on the 30 June 2009, data do not comprise shops selling building materials and household electronics

Fig. 2. The number of hypermarkets in Poland having foodstuffs in their offer

Source: own study based on the data from GfK Polonia.

As a result of processes of concentration of trade there are only seven big chains of hypermarkets in the Polish market (see Table 1) and four of them: Real, Carrefour, Tesco and Auchan are companies with a centralised system of managing the chain, the fifth one (E. Leclerc) is of a franchise character and the sixth one (Alma) is predominantly engaged in developing a format of a delicatessen supermarket. The seventh, and the biggest chain (Kaufland), taking into account its sale area space (4.000 m² per store on average), does meet the criterion of a hypermarket, but as for the assortment in offer and the pricing strategy it is mostly of a discount chain type. It has to be mentioned that other chains, apart from the seven listed above, do have a few stores meeting the criteria as set for hypermarkets, but generally they are chains of supermarkets (e.g. Piotr i Paweł, Bomi).

Table 1. Leading FMCG hypermarket chains in Poland in years 2000-2008, number of shops

Name of the chain	First facility in year	Year								
		2000	2001	2002	2003	2004	2005	2006	2007	2008
Kaufland	2001	-	2	11	23	43	67	83	93	101
Tesco	1998	10	14	17	35	39	49	51	52	84
Carrefour	1997	7	8	13	13	15	31	34	62	78
Real	1997	24	25	25	27	27	28	30	50	50
Auchan	1996	8	12	15	17	18	19	21	22	22
E. Leclerc	1996	7	9	9	11	11	16	20	13	13
Alma	1995	2	2	2	2	3	5	6	9	10
Géant*	1996	12	15	15	17	17	18	19	-	-
Hypernova*	1999	9	16	20	27	25	13	14	-	-
MiniMal*	1996	22	24	27	27	28	28	22	-	-

* chains of Géant, Hypernova and MiniMal were taken over by new investors

Source: own study based on data from Detal Dzisiaj Network.

The strategy of hypermarkets is based on offering goods at attractive prices to their customers. It is estimated that an average family of four can save over 1 thousand zlotys thanks to purchases at supermarkets instead of traditional shops. It is all the more important for households as lots of consumers declare that price is a decisive factor for them when making a decision on the purchase [Path… 2009]. The price competitiveness of hypermarkets results from the economy of scale in trade activity and from their superior position over their suppliers. The stores can reduce logistic costs thanks to computerised methods of stock taking. The pricing that is advantageous for customers is a result of the very limited range of supplementary services.

Market analysts also emphasize the fact that over the last years the traditional large-format stores have been losing in their rivalry for customers, both to discount chains and to chains of delicatessen stores. The Polish customers' fascination with huge space of shopping facilities and the assortment in offer that was prevailing some 10-15 years ago, now seems to be a thing of the past. The concept of that large-format trading facility, that was developed 50 years ago in France (as the first hypermarket of Carrefour sprang up in the outskirts of Paris in 1963), does not match the style of shopping, consumption and the lifestyle of inhabitants of contemporary agglomerations.

Contemporary customers look not only for good value goods, but also want to save time spent on shopping. Problems with communication, traffic congestions, short supply of parking space, checkout queues, all those factors make a large number of customers choose other forms of sale, namely e-shopping and shopping in smaller, yet more advantageously located, close to their homes, convenience stores. The new challenges in the market rivalry mean that a modern hypermarket does not necessarily have to be more and more big and sophisticated in terms of technology. On the contrary, it should be consumer-friendly, providing desirable atmosphere for not so much doing shopping as for a leisure activity.

The classical concept of a hypermarket is undergoing some evolution in Poland. The differences between compact hypermarkets, supermarkets and discount stores are fading away, the example of that can be the afore-mentioned chain of Kaufland. The concept of mini-hypermarket is being implemented especially by Tesco and Carrefour. It is so, as in the situation of the market being saturated with hypermarkets of typical format, in a smaller town it is easier to locate a smaller shop with the surface area of about 2,000 m² with the prospect of making profit. The format of the mini-hypermarket makes it viable to locate it in a town of 30-40 thousand inhabitants, which in real terms means a growing competition for local merchants. As for selection of goods in offer, for example bread, meat and pork-butcher's products, the store management should take into account customers' preferences and guarantee supplies from local butchers and bakeries. Moreover, such stores should make it possible for customers to use a wide range of supplementary services like the payment of household bills at the counter, topping up the mobile phone accounts or printing photos. It is very advantageous to provide in the store, or in the vicinity, such facilities as catering establishments, a flower shop, a cash dispenser, a laundry, a car wash an the like.

The next group of large-format stores are supermarkets. According to the GUS those are shops of the sales surface area from 400 m² to 2499 m², pursuing sale mainly in the self-service system, and having in offer a wide range of foodstuffs and non-food FMCG [Łukasik 2008]. Table 2 presents data on the most important chains developing that kind of store format.

Table 2. Supermarket chains in Poland

Name of the chain	Number of supermarkets	Average surface area of a store, m^2	Sales in 2008, million PLN
Aldi	24	800	186
Alma	14	1 800	869
Bomi	33	1 800	904
Carrefour Express, Globi	202	500-2 000	7 800*
Delikatesy Centrum	434	200	6 122
Eko	219	400	1 722
Intermarché	140	1 000	2 350
MarcPol	52	700	-
Mini Europa	8	800	950
Piotr i Paweł	62	1 100	1 125
Polomarket	276	550	2 200
Rast	35	1 000	904
Spar	57	235	242
Stokrotka	161	650	11 620*
Tesco	325	500-3 000	9 100

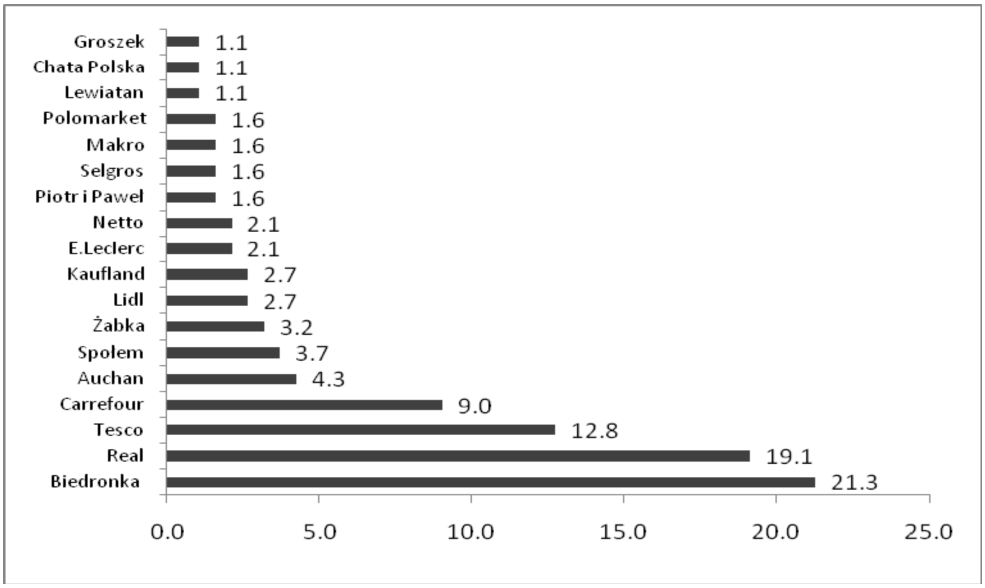
*) approximate figures

Source: own study based on the data from Detal Dzisiaj Network.

Over the last years a significant growth in the number of stores in supermarket chains has been registered, a factor of extending the area of operation of the chains. Moreover, an expansion of a new format of stores has been noted, namely delicatessen stores. All the deli chains (Piotr i Paweł, Bomi, Alma, Milea, Delima, Delica and Mini Europa) have noted considerable growth in the number of facilities, totally on the national level from 90 to 176 facilities. Moreover, some of them opened their stores in the towns and regions that they had not been present until then.

The next format of retail outlets that have foodstuffs in their offer is discount stores. The competition in attracting customers is becoming more and more fierce. The increasing competition was manifested by entering of the German chain Aldi into the Polish market, as well as by acquisition of the chain Plus Discount by the Biedronka chain. Over the period of six years (2003-2008) the discount chains noted a substantial increase in the number of stores: Biedronka from 630 to 1300, Lidl from 56 to 300 and Netto from 67 to 146. The statistical data illustrate a dynamic expansion of discount trade in the FMCG market. It can be expected however that in the future, with the society getting better-off, the significance of discount stores as a foodstuff distribution channel will deteriorate.

The popularity of large-format stores is confirmed by the research of preferences and purchasing patterns of consumers. The list of the most often attended stores is topped by Biedronka, Real, Tesco and Carrefour. The detailed data are presented in Figure 3.



*) the retail chains that received below 1% of responses were passed over

Fig. 3. Ranking of grocery stores as the most attended by Polish consumers, %*

Source: own study on the basis of a study [Handel detaliczny… 2010].

Apart from the afore-mentioned large-format stores it is also traditional small community and rural shops which play important role in providing consumers with groceries. They are both general groceries and specialised outlets, offering goods in specific groups, such as butcher's or greengrocer's goods. Over the last years the number of those outlets has been diminishing rapidly. The exception are off-licence outlets and baker's and confectioner’s shops, which is presented in Table 3.

Table 3. Number of general grocery stores and specialist shops in Poland in the years 2000-2008

Year	Stores with food products					
	general groceries	butcher's	baker's and confectioner's shops	greengrocer's	off-licence	fishmonger's
2000	142 257	14 045	3 681	6 678	2 350	1 506
2001	145 934	14 714	4 101	5 251	2 335	1 572
2002	145 238	15 041	4 374	5 308	2 294	1 570
2003	115 658	12 685	4 729	5 279	2 136	1 184
2004	112 301	12 456	5 446	4 778	2 268	1 053
2005	116 094	13 072	5 220	5 222	2 454	1 106
2006	120 455	12 002	5 430	4 451	2 510	942
2007	105 509	12 448	6 033	4 778	2 768	974
2008	98 460	11 966	6 508	4 407	2 723	932
2008/2000, %	69,2	85,2	176,8	66,0	115,9	61,9

Source: own study on the basis of data from the Central Statistical Office (GUS) of Poland as well as work by Hościłowicz, Janowska & Meredyk [2008, p. 182].

As for providing consumers with foodstuffs, the role of sales via the Internet is still diminutive. Food is the assortment that is very rarely ordered via the Internet. Purchases of bread or pork-butcher's products by placing orders via electronic means with the seller or directly with the producer for an immediate home delivery is still unpopular. Therefore it is very unlikely that in the nearest future the food e-shopping will pose a threat to traditional retailers on a massive scale. Food is purchased via online shopping by approximately only 5 % of Internet users and books, on the other hand, by as many as 60 %. The food e-shops can be divided into two kinds in terms of width and depth of the offer available:

- horizontal shops, i.e. so-called Internet hypermarkets, ordering wide, yet shallow selection of goods for wide group of consumers,
- vertical shops, offering niche assortment, intended for connoisseurs: wine shops, organic food, products for vegetarians [Kosicka-Gębska, Tul-Krzyszczuk & Gębski 2009].

It turns out that in case of foodstuffs there are very few supermarkets to have broadened their to-date services in Poland with implementation of sales over the Internet. For example, online sale of a wide range of foodstuffs is pursued by the Piotr i Paweł chain (www.piotripawel.pl/e-zakupy/). The online orders can also be placed with Tesco (www.tesco.pl), the chains of Real (www.real.pl) and E. Leclerc (www.hipernet24.pl), however it refers to a limited range of goods as yet. The delicatessen stores of Alma have engaged into sales of foodstuffs via the Internet (www.alma24.pl) as well as the Bomi in Warsaw (www.supersam24.pl). Modern online supermarkets (www.delikatesypanorama.pl, www.frisco.pl, www.delikatesy.net.pl, www.dorinek.pl) with a wide range of coffee and tea brands, seasonings, seafood, wines and liquors are operating in Warsaw and other cities in Poland. E-commerce is generating, via e-shops and auction services, approximately 1% of the volume of total turnover of retail trade. In Poland there were in total 4.1 thousand internet shops in 2008, and their turnover amounted to 12 billion PLN, compared with 8 billion in 2007, 5 billion in 2006 and 3 billion in 2005 [Słomińska 2008].

Qualitative changes in trade in food products

Apart from quantitative changes in trade, manifesting themselves through an expansion of hypermarkets, supermarkets and discount shops, as well as through a decrease in importance of petty trading in the sector of retail trade, there are also significant qualitative changes going on. The changes consist in implementation of innovations and making use of modern concepts of managing commercial chains.

In the broad sense the term 'innovations' consists in introduction of a new or significantly improved product or service, process, new method of managing an organisation, new marketing method, applied at a place of employment and in relations with outer entities of micro-environment, and in particular with customers and partners in the market. In the circumstances of markets undergoing globalisation, attaining an advantageous competitive position by a trade company is linked to developing innovative technologies and introducing new products into the offer. Innovative character of the changes in that sphere means improvements in sales technology by introducing new solutions, such as modern sales appliances, IT and logistics systems. The question that is worth mentioning is optimisation of methods of organisation and managing retail and wholesale trade companies.

Modern technologies contribute to the mechanisation and automation of labour in the trade sector, and bring labour intensity and capital-intensive nature of economic activity to lower levels. The basic areas of application of technological innovation is the computer-aided managing and control of sales and stock. Such technological achievements as computers, barcode readers (scanners), cash registers are decisive for the trade efficiency. Apart from inventions based on electronics, the application of new technologies comprises new furnishings, new storage appliances and other auxiliary means making the storage easier and improving durability of goods. Moreover, the important sphere of retailers' business success is a quest for new original architectural solutions implemented in construction and adaptations of shopping centres. The experience of the past proves that market leaders managed to become successful by concentrating on creativity and innovativeness, which in turn was acclaimed by more and more demanding customers.

Technology is also a tool of streamlining management with a view of prompt decision making, although at some stage the technology itself becomes an advantage for managers. When analysing that group of conditions of development of trade companies it should be emphasized that there are almost unlimited possibilities of technological changes and the fact that innovative equipment and sales techniques (e.g. via the Internet or vending machines) are entering business at a fast pace, and also are adapted by market competitors. In the future, we can expect a growing involvement of governments in legal regulations of challenges resulting from an unprecedented technological progress, e.g. regulations regarding the sale of genetically modified food, limitations imposed to advertising and sales of some goods, such as medicines.

In the trade business, even though the importance of so-called human factor, i.e. the personnel, in the process of direct service is significant, the development of new technologies serves to bringing down the cost of, for instance, logistics, financial services and to generating improved methods of winning new customers and increasing sales.

Technological changes are implemented in view of gaining advantage over competitors in such areas as ordering systems, transfer of payments, storage, stocktaking, communications with customers.

It is estimated that foreign investors participate in approximately 50% of investment in trade in Poland. Investments by global trade corporations have a very advantageous impact on the growth of real assets in the trade industry. The structure of investing is dominated by purchases of real estate, both existing buildings and building lots, with a prospect of new buildings, construction of shopping centres, hypermarkets, supermarkets, discount stores, stores of the 'cash and carry' type, petrol stations with trade and service backing and logistic centres. The main barriers for investing are a relatively low purchasing power of the population and unstable legal governmental guarantees for foreign investors, e.g. relating to stability of tax laws, rental of real estate etc. Other barriers limiting a further inflow of foreign investment into the trade industry is a short supply of building lots of attractive location, intended for location of stores, as well as the deterioration of pace of economic development. According to the latest edition of the report entitled ‘Food products retail trade in Poland in 2009’ [Food… 2010], the volume of the food market in Poland, understood as the volume of sales of food products and industrial goods at food stores, in 2009 amounted to 223.5 billion PLN. It means a growth of 0.4% as compared to 2008, which in turn noted a growth of as much as 8.9 % in comparison with 2007. Such a small dynamics of growth is a result of an economic slowdown, which in turn translates to lower expenses on consumption purposes. According to initial estimations, the growth of food market is not likely to exceed 1% in 2010, although in the next years the situation is expected to improve gradually.

The fastest growing segment of food market is the market of organic food. Consumers are becoming more and more interested in purchasing food products of the highest quality, safe for health, with no content of preservatives, and produced according to methods that are in equilibrium with the natural environment.

In the food retail trade innovations refer not only to the implementation of self-service points of sale in hypermarkets, loyalty cards and other loyalty programmes (creation of loyalty), but first and foremost refer to offering products of which the contents, recipes, ways of manufacturing and packaging are at the cutting edge of quality. Here are the examples that should be mentioned:

- taking up a number of activities aimed at protection of the natural environment
- ecological materials used for manufacturing of shopping bags, packaging of e.g. fruit juice
- packaging of e.g. yoghurts that have an option of multiple opening and closing, or sliced cheese that makes it possible to keep it fresh
- packages with so called safety button on the lid which, following the opening of package, becomes convex and informs that the package has been opened and thus the packaging is not original [Podstawy… 2007]
- self-adhesive stickers monitoring storage conditions and sell-by date as well as changing their colour depending on temperature and humidity of the air
- active packaging, containing an active substance that absorbs oxygen, water, carbon dioxide [Trzcińska 2006].

The tool that in the near future will undoubtedly have a great impact on performance of trade, and currently is in the stage of testing, is RFID (Radio Frequency Identification

Technology) which means a technology of recognizing products on the basis of identification of radio wave frequency. Up till now the predominant solution has been the EAN bar codes. The new system provides more comprehensive and accurate information on a given product, thus upgrading the flow of information necessary to co-ordinate orders and improving labour efficiency connected with transportation, storage and promotion in the sales facility. The advantages of using the system consist in, among others, better control over the process of withdrawal of products (e.g. past their selling date) from the market [Szymanowski 2008].

As for other new solutions that are to be implemented in the shopping centres, among things that are worth mentioning, are micro computers assembled in trolleys that will help find individual departments, as well as electronic displays, LCD screens and other devices from the range of digital merchandising (electronic means of advertising and promoting at the retail outlet).

Conclusions

1. The growing importance of modern large-format stores, such as hypermarkets, supermarkets and discount stores is a typical feature of food retail trade in Poland.
2. The share of aforesaid large-format stores in the turnover of FMCG is growing annually by 2-3 percentage points, at the expense of small traditional shops that are no longer able to keep up with the competitors.
3. The share of modern forms of trade intermediary activities, i.e. hypermarkets, supermarkets and discount stores in the total turnover of FMCG amounted to 45% in 2008 as compared to 16% in 1998. It is estimated that in the nearest future their share will exceed 50%, which means that traditional shops will have lost in the rivalry for the title of the leading distribution channel for FMCG.
4. Small grocery shops have a chance of winning the rivalry with supermarkets providing that the owners of the former do not compete on the level of prices, but rather concentrate on the quality of service, freshness of their offer, good location and good personal relationship with their customers.
5. The characteristic feature of food retail trade nowadays are not only quantitative and structural changes, but also qualitative features in the form of implementation of innovations regarding goods in offer and methods of serving the customers.
6. The globalisation of trade, along with the Poland's accession to the European Union, has produced a positive effect on development of retail trade, which is reflected in the volume of inflowing foreign investment and the development of modern technology.

References

Detal Dzisiaj Network (Retail Trade Today Network). [2009]. [Available at:] www.retailnetwork.com.pl and www.detaldzisiaj.com.pl. [Accessed: May 2010].

Droga do aktywizowania polskich nabywców finalnych na rynku produktów spożywczych (Path to mobilization of Polish final buyers on the market of food products). [2009]. A. Baruk (ed.). Dom Organizatora Publishing House, Toruń, pp. 190.

Dystrybucja artykułów FMCG w Polsce 2008. (Distribution of FMCG in Poland 2008). [2009]. Strategic Report GfK Polonia.

Food products retail trade in Poland 2009. Market analysis and forecast for the years 2010-2012. [2010]. [Available at:] www.retailpoland.com. [Accessed: May 2010].

Handel detaliczny artykułami spożywczymi w Polsce 2009. Analiza rynku i prognozy rozwoju na lata 2010-2012. (Retail trade in groceries in Poland 2009. The market analysis and development forecast for the years 2010-2012). [2010]. [Available at:] www.retailpoland.com. [Accessed: May 2010]. [Accessed: May 2010].

Handel wewnętrzny w Polsce w 2007 roku. (Domestic trade in Poland in 2007). [2008]. U. Kłosiewicz-Górecka (ed.). Instytut Badań Rynku, Konsumpcji i Koniunktur (Institute for Market, Consumption and Business Cycles Research), Warsaw, pp. 87.

Hościłowicz E., Janowska I., Meredyk K. [2008]: Instrumenty marketingu jako czynnik ekspansji sektora żywnosciowego. (Marketing instruments as a factor of expansion of the food sector). Wydawnictwo Wyższej Szkoły Finansów i Zarządzania, Białystok, pp. 182.

Kosicka-Gębska M., Tul-Krzyszczuk A., Gębski J. [2009]: Handel detaliczny żywnością w Polsce. (The food products retail trade in Poland). Wydawnictwo SGGW, Warsaw, pp. 151.

Łukasik P. [2008]: Marketing w handlu detalicznym produktami spożywczymi. (Marketing in food products retail trade). Wydawnictwo Uniwersytetu Marii Curie Skłodowskiej, Lublin, p. 38.

Podstawy marketingu żywności. (Rudiments of marketing of food products). [2007]. M. Jeznach (ed.). Wydawnictwo SGGW, Warsaw, pp. 136.

Rynek wewnętrzny w 2008 roku. (Domestic Market in 2008). [2009]. GUS (Central Statistical Office of Poland), Warsaw.

Słomińska B. [2008]: Kierunki ewolucji kanałów dystrybucji artykułów konsumpcyjnych w Polsce. (Directions of evolution of distribution channels of consumer goods in Poland). *Handel Wewnętrzny* vol. 6, p. 19.

Szymanowski W. [2008]: Zarządzanie łańcuchami dostaw żywności w Polsce. (Managing the chains of supply of food in Poland). Diffin, Warsaw, pp. 173.

Trzcińska M. [2006]: Aktywne opakowania w przemyśle spożywczym. (Acticve packaging in the food industry). *Przemysł Spożywczy* vol. 1, p. 17.