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THE CONCENTRATION OF RETAIL IN POLAND

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Abstract. The article discusses the processes of concentration taking place in retail in Poland. In spite of strong concentration processes, which took place after 2000, Poland still remains a country of dispersed retail structure. In the nearest years we can expect capital concentration (mainly takeovers) in modern trade and contract concentration (for example, merchants' societies) in traditional trade.

Key words: retail, retail concentration, shops, structure of retailing

INTRODUCTION

Many studies on domestic trade in Poland stress the considerable fragmentation of retail, thus indicating Poland's uniqueness in Europe in this respect [Rakowski 2002, Maleszyk 2004]. According to Szromnik [2002], the fragmentation of Polish retail is "an important social, legal and economic problem. The following arguments prove the scale of the problem:

– small retail outlets up to 50 m^2 make 90% of all shops in Poland,
– small business retail means hundreds of thousands of small business owners, who invested their 'life capital' in their shops,
– small business retail is a source of income for hundreds of thousands of households in Poland,
– small business retail (...) is a very important source of supply to local budgets." [Szromik 2002, p. 20].

Over the next years there was a change in the situation concerning retail concentration in Poland, but it was chiefly related with turnover concentration. The smallest out-

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lets still make more than 90% of all shops (in 2007 the shops whose area was not larger than 100 m^2 made 96% of all shops in Poland)[1].

Many authors [Maleszyk 2001, Pokorska and Maleszyk 2002, Szromik 2002] indicate the fact that the concentration and integration will be a reaction to the fragmentation of Polish retail.

The process of concentration in domestic trade means accumulation of capital resources (material, financial, human) of enterprises, thanks to which they can gain advantage in their scale of operation due to reduced overhead costs [Maleszyk 2001].

The integration of trade enterprises consists in the integration of aims, functions, tasks and operations of legally and economically independent enterprises. It is realised by means of various agreements, e.g. distributorship, licence, franchise, logistic. Its main aim is to obtain the synergy effect, i.e. obtain better effects of operation than in the case of individual enterprises [Pokorska and Maleszyk 2002, s. 127].

CONCENTRATION PROCESSES IN RETAIL

One of the symptoms of concentration of retail in Poland was an increased number of big shops. Table 1 shows the number of shops in Poland according to their sale area. The increased importance of big shops can even be proved by the method of presentation of data by the Central Statistical Office. Until 1996 the largest selling area category comprised outlets larger than 400 m^2. Since 1997 the classification was supplemented with the following categories: 401-1000 m^2, 1001-2000 m^2, 2000-2500 m^2 and > 2500 m^2.

By analysing the dynamics of changes in the number of shops by selling area (Fig. 1) it is possible to notice the increased of large outlets, in the categories ranging between 200-300 m^2, 301-400 m^2 and > 400 m^2. In the last category the number of shops increased almost four times from 1995. The smallest outlets, up to 100 m^2 initially remained at a steady level, but from 2003 their number dropped by about 15%.

The increasing capital concentration can be proved by the data presented in Figure 2, which shows the number of commercial enterprises according to the number of owned shops. The period of 1995-2001 can be defined as the period of stability. There were certain fluctuations in individual categories of enterprises, but they did not have the character of a tendency. In 2001 there was a clear change. The number of enterprises that owned many shops began to increase then (51-100 sops and 101-200 shops). In the following year the number of enterprises with more than 200 shops began to grow. In the second half of the nineties there was a relatively stable retail structure in Poland. During that period enterprises competed for clients chiefly with their offer and so-called shop format. However, that form of competition became exhausted, so the search for other possibilities of gaining competitive advantage began – extending the sales network by increasing the number of outlets. It is worth mentioning that concentration operations concerned the enterprises with the largest number of outlets and resulted both from the opening of new shops and taking over the ones that belonged to other enterprises. The increase in the number of largest enterprises was accompanied by the decrease in the number of smallest retail enterprises, which owned not more than 2 shops.

[1] The author's calculations based on Rynek wewnętrzny... [2008].

Table 1. The number of retail outlets in Poland from 1992 to 2008 by selling area
Tabela 1. Liczba sklepów według powierzchni sprzedażowej w Polsce w latach 1992-2008

Year Rok	The number of retail outlets in Poland by selling area (m^2) Liczba sklepów według powierzchni sprzedażowej (m^2)								
	< 50	50-99	100-199	200-299	300-399	≥ 400			
1992	317 424	21 243	8 808	2 211	843	1 973	x	x	x
1994	383 064	19 421	8 072	2 035	863	1 994	x	x	x
1995	391 297	20 268	8 563	2 238	1 003	2 231	x	x	x
1996	369 926	20 661	8 929	2 377	1 110	2 560	x	x	
	< 50	50-99	100-199	200-299	300-399	400-999	≥ 1000		
1997	387 921	20 583	9 175	2 570	1 255	2 305	553	x	x
	< 50	50-99	100-199	200-299	300-399	400-999	1000-2500	≥ 2500	
1998	414 684	20 795	9 371	2 655	1 182	2 431	501	166	x
	< 50	50-99	100-199	200-299	300-399	400-999	1000-1999	2000-2500	≥ 2500
1999	417 772	16 925	8 014	2 529	1 479	2 790	466	75	182
2000	399 767	16 297	7 872	2 567	1 551	3 052	551	101	233
2001	415 017	16 871	8 500	2 817	1 680	3 352	668	96	338
2002	417 391	15 933	8 089	2 780	1 616	3 524	665	94	342
2003	412 446	16 761	8 686	3 071	1 793	3 785	824	103	429
	< 100	100-199	200-299	300-399	400-999	1000-1999	2000-2499	≥ 2500	
2004*	350 510	8 912	3 306	1 845	4 060	955	104	477	x
2005	361 067	10 371	3 933	2 102	4 672	1 182	130	544	x
2006	371 478	10 622	4 109	2 231	5 004	1 273	149	592	x
2007	345 358	11 519	4 372	2 478	5 448	1 393	169	591	x
2008	356 433	12 835	5 006	2 755	6 107	1 594	222	711	x

*In 2004 the method of counting retail outlets changed.
Source: the author's calculations based on: Rynek wewnętrzny... [2008].
*W 2004 roku wystąpiła zmiana sposobu zliczania jednostek handlowych.
Źródło: opracowanie własne na podstawie: Rynek wewnętrzny... [2008].

Besides structural measures retail concentration can also measured by turnover concentration. The shares of retail 'models' are a frequent subject of analysis in this respect: the so-called modern retail formed by shops organised into retail chains (hypermarket, supermarket, discount store) and traditional retail formed by independent units with usually small selling area. The comparison of those two models results from the pan-European trend of taking over shares in the market by modern retail and decreasing importance of traditional shops.

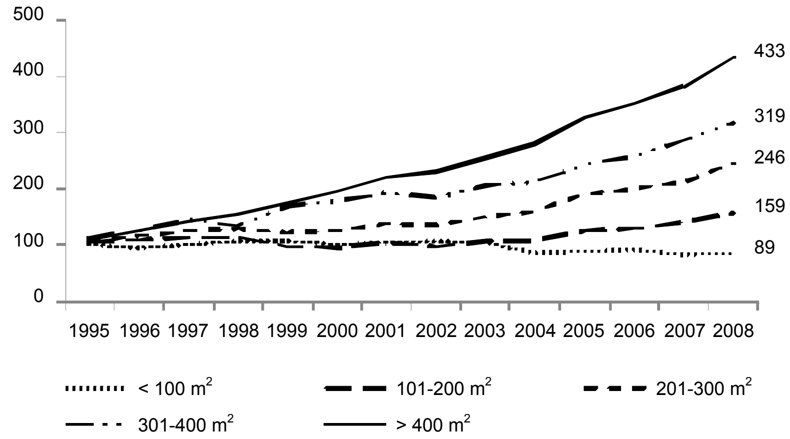


Fig. 1. The dynamics of the number of shops in Poland by selling area, 1994 = 100
Source: the author's calculations based on: Rynek wewnętrzny... [2008].
Rys. 1. Dynamika liczby sklepów w Polsce wg powierzchni sprzedażowej, rok 1994 = 100
Źródło: obliczenia własne na podstawie: Rynek wewnętrzny... [2008].

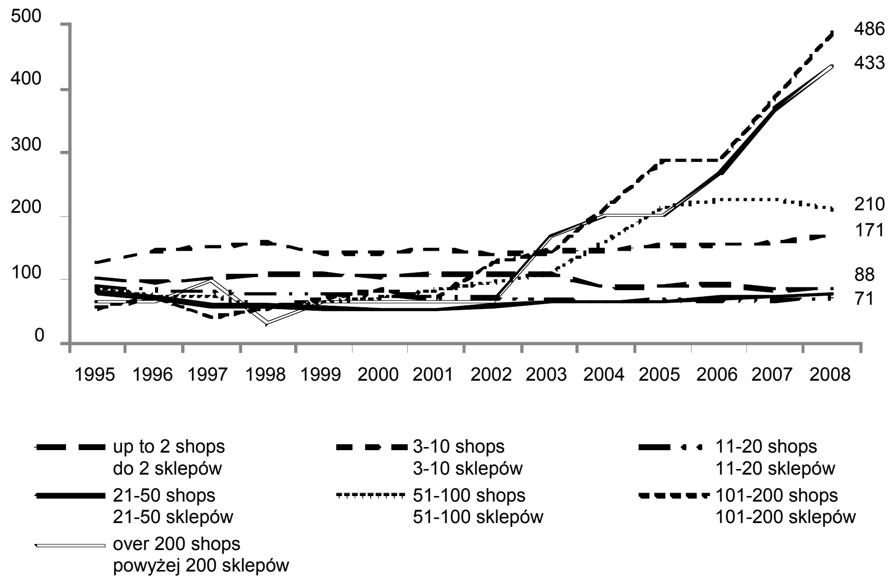
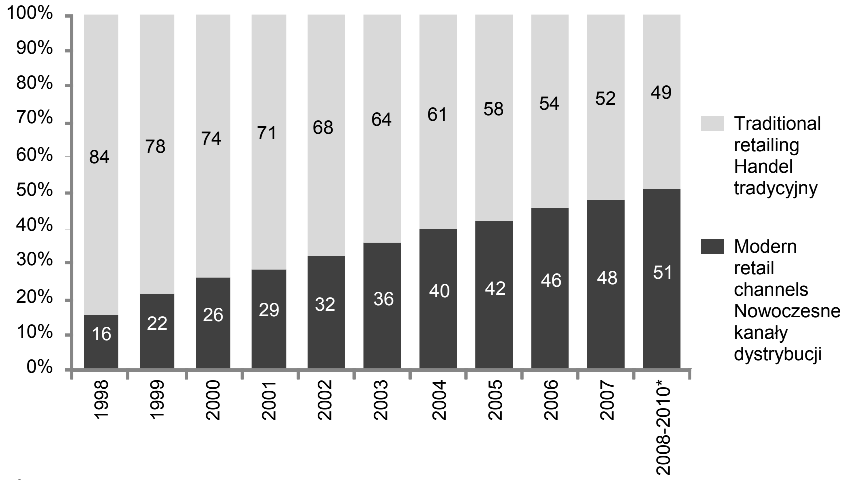


Fig. 2. The dynamics of changes in the number of retail enterprises in Poland by the number of outlets, 1994 = 100
Source: the author's calculations based on: Rynek wewnętrzny... [2008].
Rys. 2. Dynamika zmian liczby przedsiębiorstw handlowych według liczby prowadzonych sklepów w Polsce, rok 1994 = 100
Źródło: obliczenia własne na podstawie: Rynek wewnętrzny... [2008].

Figure 3 shows the division of FMCG market in Poland into two retail models. From 1998 the shares of modern retail were increasing dynamically to become nearly equal in 2007; this division of retail should continue until 2010. The scale of concentration is more clearly proved by the fact that such a high share in turnover is realised by the retail model which is rather small due to the number of outlets. As results from the data of the Central Statistical Office [Rynek wewnętrzny... 2008], the shops that belong to the modern retail model make 3-4% of all shops in Poland. Despite the share of 50% in Poland modern retail still has lesser importance than in other European countries, including those in Central and Eastern Europe – for example, in the Czech Republic there is clear domination of modern retail.



*forecast
Modern distribution channels: hypermarkets, supermarkets and discount stores
Traditional retail: groceries, big, medium and small shops, specialised shops, chemists'
*prognoza
Nowoczesne kanały dystrybucji: hipermarkety, supermarkety i sklepy dyskontowe
Handel tradycyjny: sklepy spożywcze duże, średnie, małe, specjalistyczne, chemiczno-kosmetyczne

Fig. 3. The share of modern distribution channels and traditional retail in the FMCG market in Poland
Source: Raport strategiczny... [2007].

Rys. 3. Udział nowoczesnych kanałów dystrybucji i handlu tradycyjnego w rynku artykułów częstego zakupu w Polsce
Źródło: Raport strategiczny... [2007].

The data on the ten largest retailers' share in the market describes the level of retail concentration in Poland, which remains low (Fig. 4). The low share of 30% in Poland presents the scale of potential for further retail concentration. However, it is necessary to note that concentration processes in Poland will be limited by the dispersed residential structure of the population and Polish shopping habits.

Takeovers of retail chains are also an aspect of concentration in Polish retail [Pilarczyk and Wanat 2001] (Table 2). Takeovers of shops started in Poland after 2000. It seems that there will also be takeovers of shops on the Polish market in the future.

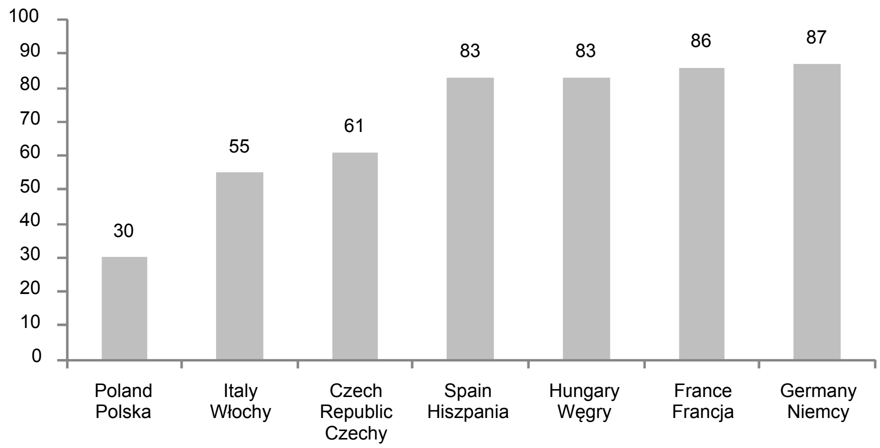


Fig. 4. The share of ten largest retailers in the market in selected countries (data for 2008)
Source: Raport strategiczny... [2008].
Rys. 4. Udział 10 największych przedsiębiorstw handlu detalicznego rynku w wybranych krajach (dane za 2008 rok)
Źródło: Raport strategiczny... [2008].

Table 2. Selected takeovers of retail chains on the Polish market
Tabela 2. Przykłady przejęć sieci sklepów na rynku polskim

Year Rok	Target – Sieć przejmowana		Acquirer – Sieć przejmująca	
	name of chain nazwa sieci	owner właściciel	name of chain nazwa sieci	owner właściciel
2002	Jumbo	Jeronimo Martins Dystrybucja	Hypernova	Ahold
2002	Hit	Hit Centrala Usługowa Polska sp. z o.o.	Tesco	Tesco Polska sp. z o.o.
2003	Rema 1000	Rema 100	Biedronka	Jeronimo Martins Dystrybucja
2003	Edeka	E Discount	Rojal Markety	Rojal Markety
2006	Geant	Casino	Real	Metro AG
2006	Leader Price	Casino	Tesco	Tesco Polska sp. z o.o.

Source: The author's compilation based on: Raport strategiczny... [2004, 2005, 2006].
Źródło: opracowanie własne na podstawie: Raport strategiczny... [2004, 2005, 2006].

This can be proved by the hypermarket saturation in Poland[2] – the absence of possibility to open new shops of that type will encourage operators to increase their share in the market by takeovers of the outlets already present on the market.

[2] Among various opinions on the number of hypermarkets in Poland the predominant view is that the maximum possible number of hypermarkets in Poland can be about 300.

The processes of consolidation of domestic trade in Poland can be seen in the operations of integrated chains. The largest chains include: Chata Polska S.A., Gabriel, Lewiatan Detal, Lewiatan Holding. The chains are developing in Poland due to franchising agreements and have a nationwide character [Pokorska and Maleszyk 2002, p. 138].

POTENTIAL DIRECTIONS OF RETAIL DEVELOPMENT IN POLAND

The forecasts concerning future concentration of retail in Poland should take two elements into consideration.

First of all, the experience of European countries shows that the concentration of retail is an inevitable process, which is proved by the data quoted in the article. Thus, we can expect continuation of concentration in Poland, which will be manifested by the growing importance of modern trade and increased share of the largest retail enterprises.

Second of all, it is necessary to remember that in comparison with other concentrations the causes of small concentration of retail in Poland result from objective reasons, which include the dispersed residential structure of the population, which in many places results in the absence of an alternative to traditional trade. Therefore many retailers begin to develop chains of smaller shops to present their offer in smaller towns.

Here is a possible scenario of changes in retail in Poland. The tendency of growing importance of modern trade will continue in the nearest years. However, its pace will become gradually slower and slower. Probably there will be more changes in trade models. Traditional trade will probably reduce its share in the total market, but it will certainly remain an important source of supply to Poles. There is also a possibility of concentration within traditional retail itself. There may be bigger changes in modern trade. They may be accelerated by the economic crisis, which struck retail most severely in 2009. It is necessary to remember that most enterprises which make modern trade are foreign companies, for which the crisis may be more severe due to the difficult situation in other countries. The nearest years may be a period of intensified takeovers in modern trade and further concentration.

SUMMARY

“1998 can be regarded as a breakthrough in the process of concentration on the domestic market in Poland. During that period there were certain symptoms of concentration visible and its significant effects appeared. Accelerated concentration was observed from 1999 to 2000” [Pokorska and Maleszyk 2002, p. 138] and the following years. In spite of considerable dynamics of concentration processes, which became intensified especially after 2000, Poland is still a country with dispersed retail and this aspect is indicated as an exception in Europe.

In comparison with other European countries the low level of concentration of domestic trade in Poland gives grounds for presumed continuation of the process of concentration in the nearest years. Concentration will take place both in modern and traditional trade. However, the pace of market acquisition by modern trade will slow down.

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KONCENTRACJA HANDLU DETALICZNEGO W POLSCE

Streszczenie. W artykule omówiono procesy koncentracji zachodzące w polskim handlu detalicznym. Pomimo silnych procesów koncentracyjnych, które miały miejsce po 2000 roku, Polska jest w dalszym ciągu krajem o rozproszonej strukturze handlu detalicznego. W najbliższych latach należy oczekiwać koncentracji kapitałowej (głównie przejęcia) w obrębie handlu nowoczesnego oraz kontraktowej (na przykład stowarzyszenia kupieckie) w handlu tradycyjnym.

Słowa kluczowe: handel detaliczny, koncentracja handlu detalicznego, sklepy, struktura handlu detalicznego

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