

THIRTY YEARS OF RETAIL TRANSFORMATION IN V4 COUNTRIES

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THIRTY YEARS OF POST-SOCIALIST RETAIL TRANSFORMATION IN CENTRAL EUROPE

Josef Kunc, František Křižan

Thirty years can be regarded as a period of one generation. Events of the 1920s that profoundly affected the development of post-socialist countries have become history. However, the contemporary economic conditions are based on historical events. To better understand the current situation, it is necessary to understand the processes that were happening in Europe in the past, and that have formed the current state. The collapse of the communist system in the countries of Central and Eastern Europe ended up in dynamically evolving processes. They resulted in the transformation of both public and cultural life, and the transformation of all economic sectors in these countries. The early beginning of the transformation brought about a significant polarization of society and economics of post-socialist countries. And thus, retail belonged to those economic sectors in which the transformation experienced a very dynamic and intensive development.

Compared to other developed European countries (Jessen and Langer 2016), retail in post-socialist countries was not sufficiently developed; in many aspects, it was assessed negatively (Krásný 1992). The density of the retail network (given by the number of stores per 1,000 inhabitants) was very low. The limited range of stores in large towns was particularly notable. Retail capacity (indicated by selling area per 1,000 inhabitants) was also very small. Delivery of goods, mainly non-food products, to stores was significantly limited. Unfavourable conditions occurring in retail determined by the density and capacity of the retail were conditioned by the structural shortage shown by the negligible presence of non-food products stores, lack of modern large space stores as well as a significant difference in the function of retail in the local and regional levels in the sense of satisfaction of consumer demand.

And it was just the countries like the Czech Republic, Slovakia, Hungary and Poland that started to face new challenges of transformation as a political unit of V4 (The Visegrad Group; see Fig. 1.1). However, it does not mean that the manifestation of (retail) transformation was unified within them. On the contrary, they are specific; however, like a manifestation of something general. It was a manifestation of global trends in the then relatively isolated markets. In addition, many of these countries were dealing with other challenges, such as joining international political, economic and military organisations (OECD, EU, NATO), which even more emphasized the established trends of retail globalisation. The question is how these retail transformation trends were and have been evident in these countries.

Retail belongs among the economic sectors that are distinguished by a strong level of internalization of its business activities. A typical feature of retail after 1989 is continual entrance of supranational retail chains into international markets, and fundamental changes in these markets. According to Dicken (2003), small retail chains were penetrating the international market very carefully initially; however, later, they showed a very strong inclination towards localisation to the markets similar in geography and culture.

In the mid-1990s, all V4 countries were ranked among the 30 most thriving developing retail markets of the world. On the other hand, the international competition was very strong since many retail chains simultaneously decided to enter the eastern markets, and not all of them remained. Internationalisation has become a dominant feature of European retail. Thus, the process of internationalisation, which started at first in the countries of Central, and later also Eastern, Europe, was very dynamic. Differences between European countries have practically disappeared during the quarter of the century, regarding the quantity and concentration. However, some differences in the product quality and retail environment culture have persisted (Kunc and Křižan 2018).

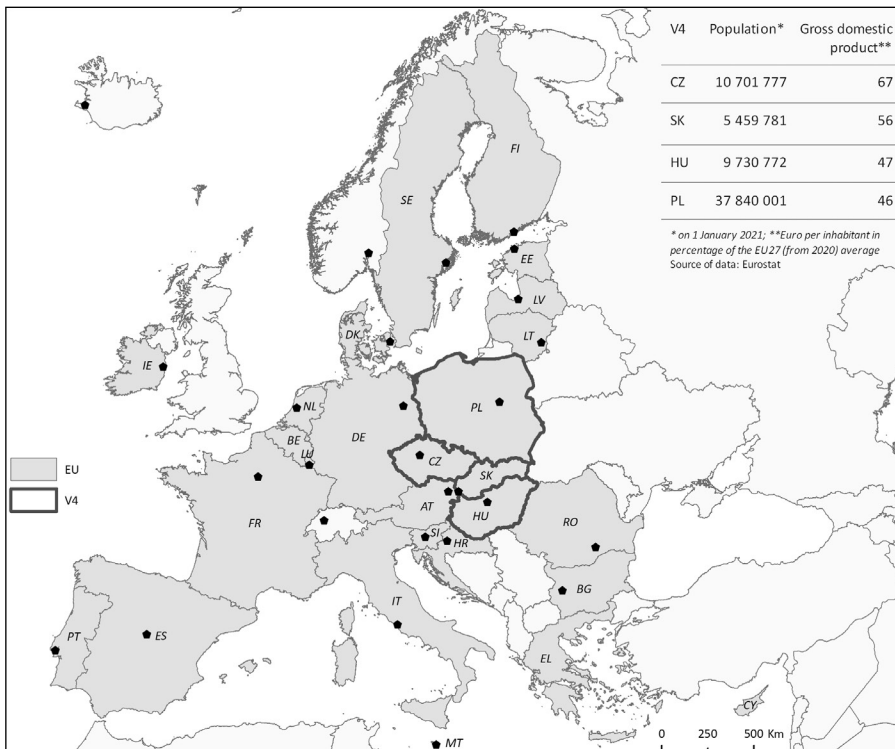


Fig. 1.1: Visegrad Group Countries within the member states of the European Union
Source: own processing

Among the main motivation factors of the global expansion of retail chains in developed countries, there was saturation and regulation of post-socialist markets and intensification of competition in them, and the impression that new business opportunities will be in the new, fast-growing markets. Retail companies used various ways – construction of own stores, take-over of the existing companies, or a merger with local companies, building their positions via licences or franchising, joint-ventures establishment and creating strategic alliances. Building its own logistic and distribution centres to supply its network of stores was a matter of course. It represented an interesting spatial phenomenon, allowing it to track down the complex and changing relationships between manufacturers

and retailers (Birkin et al. 2002). The development in the 1990s was marked by a strong internationalism of emerging markets in Latin America, Southeast Asia, Central and Southern Europe. It was the internationalisation of a significant scale that enabled several retail companies to grow rapidly and move up the rankings of the largest retail companies in the world (Wrigley 2003).

As a result of internationalisation, significant organisational changes have occurred in the sector, and a transformation of the spatial organisation of retail has begun. The spatial parameters of the retail network began to change rapidly, mainly due to the entry of large-area stores into the territory. Cities were the most affected by the changes, as they became the primary target for the expansion of foreign retail chains into new markets, organised within a settlement hierarchy. If we understand retail transformation as the development of retail networks of individual retail companies, then cities play the role of hubs in this process (Wilk 2005). In particular, the development of large shopping centres and hypermarkets and the redirection of shopping flow to these centres have led to a fundamental change in the arrangement of retail functions in cities. Sites of commercial suburbanisation gradually began to emerge. These decentralising tendencies, so typical of large-area retail, have led to a weakening of the functions of the urban centre and a shift towards a polycentric arrangement of retail functions in the post-socialist city (Nagy 2001; Wilk 2005; Mulíček 2007; Mitríková 2008; Trembošová 2009; Kunc et al. 2012; Križan et al. 2014; Sikos T. 2019 and many others).

The retail environment and structure have changed significantly in Europe over the past decades. In the advanced market economies, consumption patterns stabilised during the second half of the 20th century, and were adopted uncritically with unprecedented speed and openness in the transitive countries from the 1990s onwards. The rapid adaptation of Eastern markets to Western standards was supported by Western capital's entry and its almost immediate dominance. The potential of Eastern markets, in most cases insufficient domestic competition, benevolent legislation and a large consumer appetite attracted the attention of Western retailers, who often faced slowing growth in their own markets in the 1990s and beyond (Kunc and Križan 2018).

Retail industry is a key part of consumers' lives in Europe. In 2020, retail spending constituted a large proportion of private consumption in the region. The largest and most important retail market in Europe in terms of turnover was the German market, with a value of roughly 560 billion euros in 2017. Other important markets were France (roughly 469 billion euros), the United Kingdom (approximately 464 billion euros), and Italy (approximately 323 billion euros). These are however not the markets experiencing the largest growth. Central and Eastern Europe's growth figures are considerably higher than those in Western Europe. In 2018, the Bulgarian market saw the highest turnover growth, at 7.7%, followed by the Czech Republic (7.2%) and Romania (7.1%). By comparison, the turnover decreased by over three percent in Swedish brick-and-mortar stores (Statista 2021).

Although the majority of retail transactions still take place offline, online retail gained more and more prominence over the last few years. One factor that accelerated the transition

to online retail was the coronavirus (COVID-19) pandemic. Surveys showed that in several European countries, in both 2020 and 2021, more consumers shopped online as a result of the impact of the pandemic on their shopping habits. In 2021, the e-commerce revenue in Europe was valued at approximately 465 million U.S. dollars, and according to a recent Statista forecast this is expected to strongly increase in the next years, to approximately 570 million U.S. dollars. While in 2020 there were roughly 480 million consumers purchase goods online, by 2021 this number was projected to go over 500 million already.

The big 15 in Europe's retail scene is an (almost) exclusive club of supermarkets. At the top of the list was the German retail group Schwarz with an annual turnover of 113 billion euros. Schwarz owns the supermarket chains Lidl and Kaufland, both of which also have branches in Europe. Together with the second contender in this list Aldi, Schwarz Group's Lidl were rated to be one of the most popular supermarkets in Germany in 2020 (Statista 2021).

Apart from Schwarz Group and Aldi, Germany has three more supermarket retailers that trailblaze in Europe. The respective turnover figures of Rewe and Edeka set the competition between the two chains on edge, with the former having the lead by a narrow margin. Wholesale and cash and carry supermarket Metro made it to the list only just, with a turnover of about 25 billion euros generated in Europe. In 2016, Metro was split into two companies and transferred its electronics retail business to Ceconomy¹. Ceconomy now runs Media Markt and Saturn, the leading consumer electronics company in Europe in 2018.

After Germany-based brands, France and the UK boasted many of the leading retailers in Europe. Carrefour came third with an annual turnover of 73 billion euros. Sweden's IKEA was the only non-supermarket retailer to earn a place on the list. With 29 billion euros worth of turnover, IKEA ranked in 14th place in Europe, where the Swedish furniture retailer has the strongest store presence (Statista 2021).

Along with internationalisation, the globalisation is a society-wide phenomenon that affects all areas of our lives. It is visible in the economic sphere and has a significant impact on the society and the daily lives of individuals, their behaviour and cultural habits (Bauman 1998, 2007; Giddens 2002). The globalisation represents an evolutionary trend in the development of the society; thus, the globalisation of consumption patterns is another of the many evolutionary stages of changes in social consumption (Križan 2009). The post-socialist societies, which had long shown signs of cultural and economic isolation and were quickly drawn into the context of worldwide globalisation after 1989, have begun to come to terms with its consequences (Frič and Potůček 2004). The population of new markets in Central Europe has adapted to innovations in the retail sector very quickly and has fundamentally changed its existing shopping patterns.

Globalisation trends in the retail sector were among the most visible features of the socio-economic transformation after 1989. Perhaps because the scarcity of space for

¹ CECONOMY is the leading European platform for companies, concepts and brands in the field of consumer electronics

satisfying shopping needs was very high in Central European reality during the period of centrally planned economies compared to market economies in Western Europe (Krásný 1990), and necessity to change these conditions in a newly created democratic society and market environment was very strong (further details can be found in individual chapters). The relatively rapid entrance of new stores across settlement system in the Central European countries has occurred mainly because retail has never been as sophisticated a sector as manufacturing or research, both in terms of human resources and infrastructure (Viturka et al. 1998).

After an initial atomisation phase, when thousands of new units, mostly based on domestic capital, appeared on the Central European markets (decentralisation and reconcentration of the original structures), from the mid-1990s onwards, multinational food and non-food chains began to enter the areas more vigorously and retail became spatially and organisationally concentrated. It is called an internationalisation phase (for example, Szczyrba 2006). Due to the lack of application of regulatory mechanisms in terms of zoning or spatial planning, the possibility of virtually conflict-free expansion into new markets was opened up for multinational retail chains, which they duly took advantage of (Szczyrba 2005; Spilková and Šefrna 2010).

After about fifteen years of retail transformation, it was possible to talk about the beginning of consolidation tendencies, which showed signs of stronger position of the largest companies on the retail market in parallel with lower dynamics of their growth, withdrawal of some large players from the Central European environment (the Czech Republic and Slovakia, in particular), or gradual stabilisation of the market (consolidation phase). This phase is probably not yet entirely over, even at the beginning of the third decade of the new century. It is possible to expect the departure of some other major chains from Central Europe and strengthening the positions of the strongest ones. At the same time, however, post-socialist retail has already begun to diversify (Muliček and Osman 2013). Diversification means both the slowdown in the concentration of retail structures associated with the new locational strategy of stores with smaller selling space in city centres, where they are able to compete with large-format and full-range units thanks to suitable localisation and a well-chosen narrow assortment, but also the withdrawal of some assortment groups (furniture, hobby, electrical appliances, hardware, and others) from inner cities to shopping centres and retail parks in the outskirts (Šveda and Križan 2012).

The most famous representative of contemporary retail, which combines shopping and entertainment, are supermarkets and hypermarkets, mainly shopping centres. It represents an economic entity, a large-area retail unit serving consumer needs that significantly impact the economy of a given settlement or region (Szczyrba 2006). The dynamic development and transformation of shopping centres has led to the fact that they no longer focus solely on selling products and services to end-users. On the contrary, in the context of the modernization of society and the creation of new cultural values, shopping centres have become places where people meet, spend their leisure time, and satisfy consumer demand. Thus, it is a unique solution of leisure time spending that offers

enough space for the satisfaction of aesthetic (visual), social, and economic needs (Crosby et al. 2005; Guimareaes 2018; Križan et al. 2018; Kunc et al. 2020).

Before 1990, over a long period, shopping habits in the V4 countries had been influenced and regulated by centrally planned socialist economy within the domestic business, which, among others, strictly determined spatial and consumer determination, in other words, selling places and products. Shopping centres became a key trigger of consumer changes behaviour in post-socialist countries. Their construction and attractiveness changed significantly the spatial constraints in municipalities, cities and regions' economies. A visit to a shopping centre became an attraction, entertainment, a form of leisure, and even a specific form of social event for young as well as older people (Spilková 2012b; Križan et al. 2018). Shopping centres gradually started to fulfil the role of a relatively safe public space and a meeting place (Pospěch 2015). In general, understanding consumer behaviour patterns is a fundamental issue in business in the contemporary approach towards retail, in terms of not only location, organisation and operation of retail stores at all their levels, but also the size and type of services.

The text of the book presents a comprehensive view of the development and transformation of retail in Central Europe, in the Czech Republic, Slovakia, Poland and Hungary, in particular. Even though it is possible to characterise Central Europe in many ways and often in the broader form (Johnson and Johnson 1996; Lewis 2014), for the purposes of the text, we will relate the term "Central Europe" spatially to the V4 countries (Gorzela 1996; Tiersky 2004). These countries have long common historical links and culture, consequences of socialist past, and their common economic and geopolitical interests are connecting them even nowadays.

However, the book also reflects current trends in the use of smart technologies in shopping and responds to the COVID-19 pandemics' impact on contemporary retail. Its timeless approach deals with the past and considers new trends and changes in consumer preferences that will lead to further transformational tendencies in the future. Indeed, consumer purchasing behaviour is influenced by many factors that keep changing over time and space and can be considered a relatively complex socio-economic and spatial phenomenon with a strong regional impact (Križan et al. 2016). Thus, consumer behaviour cannot be simplified and summarized in a generic model because it is also shaped by the retail life cycle and the consumer's life cycle and preferences (Teller and Reutterer 2008). Moreover, it is necessary to take into consideration the relatively fundamental impacts of the COVID-19 pandemics on consumer behaviour, potential growth of online purchases, change in supplier-buyer relations, and so forth. The consequences cannot yet be correctly named or statistically expressed. However, it is essential to continue to monitor these trends for future predictions.

The monography is divided into seven chapters. The introductory chapter summarizes 30 years of post-socialist retail transformation in Central Europe, highlighting its main features and manifestations. It is followed by four main chapters, whereas each of them is devoted to one of the V4 countries – the Czech Republic, Slovakia, Hungary and Poland. We aim to assess the retail transformation and change of consumer pattern according

to a quasi-unified scheme. However, it does not always correspond with accessible data and information, on one hand, and a specific demonstration of transformation processes and, to a certain extent, shopping behaviour in the V4 countries, on the other hand. Last but not least, specialisation of the authors needs to be considered, too. Therefore, the structure of the individual chapters has its specifics in an attempt to highlight just the uniqueness of demonstrations but general processes as a result of the transformation of economy (retail) and changes in consumer behaviour in these countries over the last 30 years. The sixth chapter compares and discusses basic similarities, differences and specifics of retail transformation in individual countries. The final chapter focuses on the topical social and economic challenges, current trends and fundamental technological innovations used in retail. Moreover, it highlights retail transformation in the context of the COVID-19 pandemics.

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THE TRANSFORMATION OF CZECH RETAIL

Josef Kunc, Markéta Novotná

For many decades before 1990, the shopping habits of the Czech population had been influenced and regulated by the directives of the centrally controlled socialist economy in the field of internal trade, which, among other things, strictly determined the places of consumption, as well as what would be sold there. The location of stores did not respect the distribution of purchasing demand, which resulted in commercial overloading in most city centers, on the one hand, and the lack of appropriate construction of shopping centres in newly built housing estates, on the other hand (Szczyrba 2005a). The location within a city was economically irrelevant; therefore, complex shopping centres were not built in the city centers (Musil 2001). Even the increased construction of department stores during the 1970s and 1980s, which aimed to eliminate the growing dissatisfaction of residents with the range and quality of merchant offering¹, did not make any difference. The construction of retail facilities in rural areas (compared to urban space), with overall below-average investments in retail development compared to countries in Western Europe, frequently contrasted with this generally dismal state. The acceptance of these social principles reached its highest level in former Czechoslovakia within the group of Central European socialist countries (Krásný 1990).

In the first half of the 1990s, when a large wave of privatisation and liberalisation of the economic environment was implemented, the first large-scale stores of foreign retail chains began to appear in the country. A relatively fast penetration of new stores across the Czech Republic's settlement system was mainly caused by the fact that the retail sector had never been as sophisticated as manufacturing or research sectors, both in terms of human resources and infrastructure (Viturka et al. 1998). After an initial atomisation stage, thousands of new units, mostly based on the domestic capital (decentralisation and deconcentration of the original structures), appeared on the Czech market. Since the mid-1990s, supranational food and non-food chains began to enter the Czech market more vigorously, and Czech retail became spatially and organisationally concentrated. Such stage is referred to as a stage of internationalisation (for example, Szczyrba 2006). Due to the lack of regulatory mechanisms in terms of spatial or territorial planning, the possibility of virtually conflict-free expansion into the Czech market opened for multinational retail chains that took great advantage of it (Szczyrba 2005; Koželouh 2010; Spilková and Šefrna 2010).

¹ Even today, these relicts of socialist retail are causing embarrassment in society. Both in terms of the architecture, which is regarded inappropriate and poor quality, and urban solution (such as the department store PRIOR located in the central square in Jihlava). In the recent years, the department stores from the socialist period are reconstructed, and new shopping possibilities are offered. The previous state rather discouraged the customers (mainly due to poor quality).

Since the mid of the past decade, we can speak of a consolidation stage; thus, the largest companies strengthened their positions on the retail market, and the dynamics of their growth was lower, some prominent players left the Czech environment, and the market got gradually stabilised. This stage has not been fully completed yet. It is expected that other major chains will leave the market and the strongest chains will strengthen their positions. However, the Czech retail market is already beginning to diversify (Mulíček and Osman 2013; Kunc et al. 2013; Kunc 2020). On the one hand, the diversification means the slowing down of the concentration of retail structures associated with the new localisation strategy of stores with a smaller sales area in city centers, where they are able to compete with large-format stores thanks to a suitable localisation and a well-chosen narrow assortment, and also withdrawal of some groups (furniture, hobby, electronics, manufactured goods, and others) from inner parts of cities to their outskirts to shopping centres and retail parks.

2.1 Retail before 1989

During the so-called “First Czechoslovak Republic” (1920s and 1930s), the economy was based on market powers and competition, where the retail network consisted of several types of stores: unit stores, department stores, chain stores and various forms of off-premises sales. At the beginning of the 1930s, there were more than 170,000 stores in the Czech lands, employing just under 340,000 workers. Small stores with up to five employees were the most typical and accounted for up to 96% of the total number of stores. (Starzyczná and Steiner 2000; Jindra 2009).

The service standard, in other words, the number of inhabitants per one retail worker, reached 32 in the Czech lands in 1930. Although this indicator had a growing tendency (in 1902, it was still 46 inhabitants), it did not reach the level of neighboring economically developed countries, such as Austria (29) or Germany (25). However, compared to Slovakia, the Czech lands were significantly better off, where there were 63 inhabitants per one retail worker (Starzyczná and Steiner 2000).

In the 1920s and 1930s, the production of previously unknown products, such as electronics, furniture, photography, cosmetics, and sports equipment, developed rapidly. It led to the expansion of various goods, such as paints and varnishes, cosmetics, and the subsequent development of specialised retail networks. The consumption of the population increased, which led to the creation of new business companies or expansion of the existing ones, such as consumer cooperatives or large companies – department stores, wholesalers and branch companies which were also often connected with production (such as Baťa, Nehera, Rolný, Meinl, Kulík, Bílá labuť, Perla, Teta).

The low technical level and high costs directed small traders to various forms of cooperation and association, whereas the most frequent form was the formation of consumer and shopping cooperatives. Before 1948, consumer cooperatives occupied an important position on the market. In 1937, there were 151 consumer cooperatives in the

Tab. 2.1: Sectoral structure of retail network of internal trade and public catering centers in the Czech Republic in 1945–1989

Year	Retail network in total	Permanent network in total	Private sector	State sector in total	Of which:		Cooperatives	Seasonal network
					State sector under MIT	State sector under		
1945	-	82,093	79,189	1,232	-	-	4,672	-
1953	63,842	61,876	1,212	40,505	36,146	20,129	20,129	1,996
1960	55,918	55,150	90	34,068	29,290	21,392	21,392	368
1970	50,182	49,539	-	29,872	25,136	19,667	19,667	643
1980	45,934	45,507	-	27,444	22,090	18,063	18,063	427
1989	43,781	43,162	-	26,546	21,214	16,616	16,616	619

Note.: MIT = Ministry of Industry and Trade ; Note: Due to gradual modifications, the data may sometimes slightly differ
Source: Starzychná and Steiner (2000); Jindra (2009)

Czechoslovak Republic, possessing 2,360 stores. By comparison – at the end of 1989, there were about 300 stores in Czechoslovakia, with a 25% market share (Starzyczna and Steiner 2000).

After World War II, efforts to return to a market economy persisted only for a short time. The number of retail units on the territory of the Czech Republic dropped to about 82,000, and the number of employees fell to 270,000. From 1948 onwards, in line with the planned economy and its principles, retail units with over 50 employees were nationalized and merged into bigger, and later also smaller, units. Entrepreneurship was nearly eliminated by the end of the 1950s, and in 1955, the share of the socialist sector in the total retail turnover of Czechoslovakia was already 99.8% (Starzyczna and Steiner 2000). Tab. 2.1 shows the decline of both state-owned (under the Ministry of Industry and Trade) and cooperative retail units throughout the whole reviewed period, whereas the number of such units reached about a quarter of the level of the early 1930s by the end of the 1980s.

In terms of organisation and space, retail in Czechoslovakia during the socialist period was managed on the basis of the then political directive, which only to a limited extent accepted the real need for the availability of services in the territory. The socialist model of managing the retail sector was characterised by an absolute ban on private entrepreneurship and the determination of the functioning of commercial companies. Typical of this period were large state-owned commercial (Prámen, Párior) and cooperative (Jednota) companies, which were given some space for business by a political directive. Thus, from 1952 onwards, the cooperatives began to concentrate their business in the rural areas, while the state-owned stores were concentrated in the cities (Szczyrba 2005a)². It is the point where the process of spatial levelling of the services provided to population began, the largest among the socialist countries (Drtina and Krásný 1989).

Tab. 2.2 clearly shows the structure of the retail network in the socialist period, with a predominance of grocery stores, which could be understandable, to some extent, in the 1950s (post-war food crisis), but not in the following decades. Compared to the market mechanisms in Europe, there were significantly more groceries, and the non-food segment was extremely undersized. In the second half of the 1950s, a long-term process of reduction in many stores began in the Czech lands, coupled with their concentration and modernisation. Most modernised stores were created by adapting old units and combining neighboring outlets, which led to an expansion of the sales area and often to an increase in the quality of the interior fittings and external appearance (Starzyczna and Steiner 2000). From the 1960s onwards, the number of self-service stores, and later various forms of shopping centres, increased significantly, which partly increased the sales area. In 1989, the share of self-service stores in the total number of permanent outlets was already more than one fifth.

While the retail network in the Czech lands (along with the German Democratic Republic) belonged to the most developed countries, its density was insufficient. A drop in the

² Long before this decision, the Czech and Moravian consumer cooperatives represented a typical urban shopping element.

number of sales units was not accompanied by an operational concentration, as it was in the standard market economies. The share of large-capacity units (department stores, shopping centres) was low, and some sales forms were completely missing. Off-premises retail was slowly growing. A positive aspect might be seen in the development of self-service stores, which contributed to the improvement of shopping conditions of the population; see also Tab. 2. 2 (Starzyczna and Steiner 2000).

Tab. 2.2: Structure of selected permanent stores in the Czech Republic in 1953–1989

Year	Stores in total	Perma- nent stores	Of which:				
			Grocery stores	Convenience stores	Non-food stores	Department stores and shopping centres	Self-service stores
1953	63,842	61,846	25,513	18,675	10,885	71	-
1955	64,059	60,749	24,931	19,505	10,746	101	66
1960	55,150	53,845	22,688	20,024	9,374	77	3,720
1970	50,182	49,375	18,844	15,694	8,987	273	7,250
1980	45,934	45,507	16,177	15,349	8,522	609	8,571
1989	43,781	43,382	14,870	14,745	8,429	815	9,228

Note: Due to gradual modifications of methodologies, the data sometimes slightly differ. The partial structure does not contain "other" stores.

Source: Starzyczna and Steiner (2000); Jindra (2009)

By the end of the 1980s, the number of inner retail workers had grown to almost half a million; yet the area standard (the total sales area in m² per 1,000 inhabitants) in the Czech Republic was very low (331 m²), compared to, for example, Germany (773 m²) or France (644 m²) (Starzyczna and Steiner 2000). Compared to 1953 (32 inhabitants), the service standard increased to 62 inhabitants per retail worker by 1989, confirming the unfavorable development of the retail sector during the planned economy. Compared to other countries, the value was very high—in Austria, Germany or France, the service standard was roughly half in the mid of 1980s. Krásný (1990) considers former Czechoslovakia to be the only country in the former Eastern Bloc where the number of retail units steadily declined, moving away from the hypothetical optimum of retail network density. However, Szczyrba (2005a) adds that although the service standards and other indicators were much lower than in Western European countries, former Czechoslovakia was one of the more developed countries in this respect within the Eastern Bloc.

The spatial organisation of the retail network in Czechoslovakia was also developing differently. While in the countries of Western Europe, after a short post-war period, characterised by the construction of retail networks in traditional central areas, expansion to new locations (construction of suburban large-scale shopping centres) was recorded, the retail in the Czech lands showed less spatial variability. The location of stores did not respect the distribution of purchasing demand, which led to the retail networks' overloading in the most cities' centers. In contrast, in the peripheral housing estates of

many cities, the retail capacity was insufficient. Frequently, this generally bleak situation contrasted with illogical construction of sales capacities in smaller towns and rural settlements (Krásný 1990).

The number of professional papers and studies continuously pointed to the insufficient and inappropriate state of the local retail network, in particular, the below-average sales capacities and related overloaded retail areas. Both investments in the development of the retail network and the area or service standard indicators were at half the level in Czechoslovakia compared to Western countries (Drtina and Krásný 1989). Thus, the retail network before 1989 was in many aspects insufficient in the context of real needs and incompatible compared to Western European countries, for example, also in terms of the assortment structure. As already indicated, the shortcomings in retail facilities were, with respect to real demand, more noticeable in urban than in rural areas (Kunc et al. 2013).

If we turn our attention to the retail offer of the late 1980s as a landmark and comparative threshold for the fundamental changes in the transformation period, it was completely different in terms of structure and region. The last retail census (as part of the Census of Residential Amenities conducted in 1987) showed, among other things, an entirely inadequate retail product structure. At that time, most of the retail network was made up of groceries, while another assortment was heavily suppressed (see Tab. 2.3). The retail turnover generated by the network of four selected primary assortment groups of stores amounted to almost four-fifths of the country's retail turnover. These stores represented more than 86% of the stationary retail network and accounted for roughly 90% of its total sales area (Kunc et al. 2013).

Tab. 2.3: Representation of selected assortment operational units in the retail network in 1987

<i>Type of store</i>	<i>Share within the network in %</i>	<i>Sales area in %</i>	<i>Workers in %</i>	<i>Retail turnover in %</i>
<i>DS and SC*</i>	1.8	12.7	12.6	11.4
<i>Grocery stores*</i>	57.8	47.8	48.4	41.2
<i>Apparel and footwear stores</i>	12.1	14.3	12.7	12.1
<i>Manufactured goods</i>	14.4	14.6	12.8	15.0
<i>Selected types in total</i>	86.1	89.4	86.5	79.7
<i>Retail network in total</i>	100.0	100.0	100.0	100.0

Source: Szczyrba (2005a)

Explanation: * Groceries – including convenience stores and tobacconist's

DS – department stores, SC – shopping cooperatives

It was not only the results of complex pasportization “Census of Residential Amenities” from 1987 (Fig. 2.1) that pointed to a generally bleak situation but also the findings of

the optimisation study conducted in 1988, the model of which was based on the set of 191 cities with over 10,000 inhabitants (Šimůnek et al. 1988). Analytical and optimisation calculations have clearly demonstrated the overriding need for capacity and quality development of the retail network in the capital city of Prague in all assortments. A similar situation proved to be in both Moravian regions, the Brno agglomeration core, and the most significant population centers of the Ostrava agglomeration.

Similar conclusions about the level of amenities in Czech cities were also reached by Maryáš (1990), who documented deficiencies in capacity indicators for non-food goods when evaluated at the level of basic regions served and their centers. The service centers in the North Bohemian regional agglomeration, the North-West Bohemian agglomeration, and the core centers of the East Bohemian regional agglomeration (Hradec Králové and Pardubice) were relatively well evaluated in Bohemia. On the other hand, the basic service regions covering the vast area of Plzeň and practically the whole of Central Bohemia with spurs to Liberec and Děčín and to the southern part of East Bohemia were found to be under-equipped. In Moravia, it was Brno, the second-largest city in the Czech Republic, that had a significant deficit in non-food goods sales areas (the largest in former Czechoslovakia), followed by South Moravian cities and service regions in the broad background of the Ostrava agglomeration (Kunc et al. 2013).

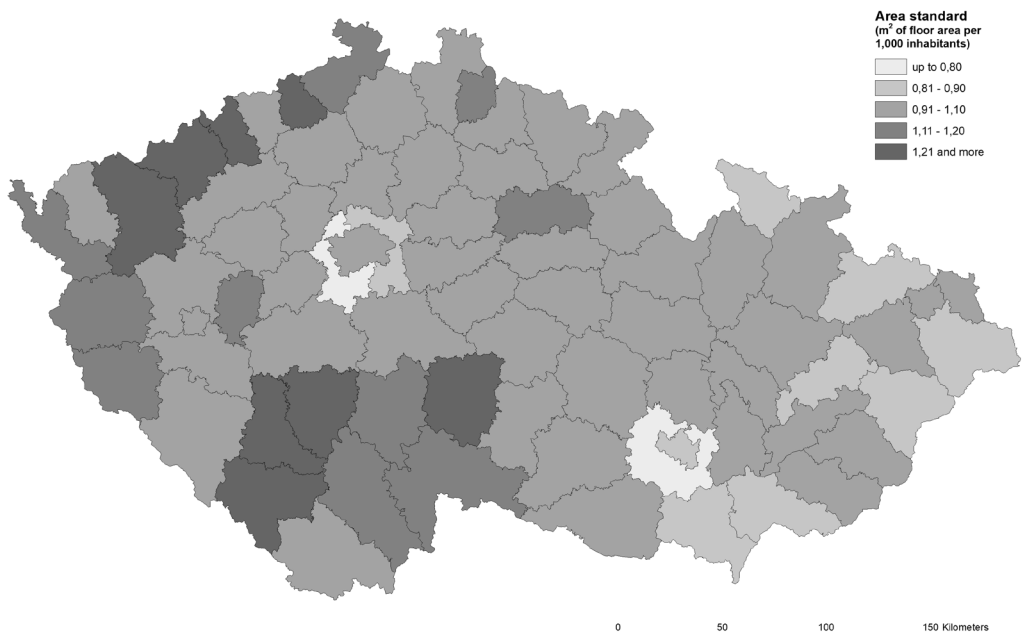


Fig. 2.1: Regional structure of the area standard in 1987

Source: *Census of Residential Amenities (1987)*; own processing

2.2 Transformation of the Czech retail after 1989: Main development stages

Fundamental political, social, and economic changes made after 1989 were also reflected in retail. The changes were so fundamental and dynamic that we may regard them as a specific “flagship” of the economic transformation. Reforms that were to facilitate the economy’s transition to the market system were formed as early as at the beginning of the 1990s, in 1990 and 1991. The fundamental step was the change of ownership relations, whereas the private sector was to develop in two directions (Pražská and Jindra 2002; Szczyrba 2006):

- The entry of new private businesses into the economy;
- Privatisation of assets that were in the hands of state-owned companies to private entities, mainly through sales, in other words, “small” and “large” privatisation.

Another process was the property restitution to private individuals and private companies under the so-called “restitution” law. During 1991, most of the property was returned. Citizenship and permanent place of residence in the then Federation were the conditions, but later (from 1994), citizens living abroad could also apply for restitution. In 1991–1992, more than 11,000 stores and 20,000 restaurants were returned to the original owners (Pražská and Jindra 2002).

The principle of small-scale privatisation was to offer state-owned business establishments to interested parties through auctions. The auctions included the premises’ equipment and the acquisition of stock of goods, with the right to operate the privatised premises being granted for two, and later five, years. The obligation was to maintain the sale of basic foodstuffs for two years, if established. Small-scale privatisation took place in 1991–1993, when 24,000 establishments worth almost CZK 31 billion were sold, while half of the establishments (in particular, the former state “chain” Pramen) were retails (Szczyrba 2006).

Large-scale privatisation was focused on companies operating in construction, energetics, industry, agriculture, and a part of the non-production sector – large trading companies and hotels (Pražská and Jindra 2002). The large-scale privatisation was realised through auctions, public tenders, direct sales, and free-of-charge transfers (primarily to municipalities). A specific method was coupon privatisation, which was open to all citizens over the age of 18. At the end of 1992, the Ministry of Trade and Tourism of the Czechoslovak Federative Republic included 199 companies (such as Prior), for which 1,500 privatisation projects were submitted (Szczyrba 2006).

The transformation of the cooperative sector, completed in 1993, was also necessary. The membership base was renewed, members (cooperative members) received a corresponding share of assets based on membership fees and the hierarchy of political functions was reintroduced (Pražská and Jindra 2002). The privatisation process brought many positive changes in the retail sector (Jindra 2009):

- Arrival of new entrepreneurs;
- Expansion and enlargement of the offered assortment;
- Emergence of new assortment profiles;
- Increase in work performance.

As mentioned above, development in the retail sector after 1989 was very dynamic in new socio-economic conditions, and it went through several stages during more than twenty years. According to Szczyrba (2005a), in terms of changes in basic features and functional structure of the Czech retail, the transformation can be categorized in three elementary stages, and Mulíček and Osman (2013) predict emerging stage four:

- The stage of Atomisation: (1990–1995);
- The stage of Internationalisation: (1996–2004);
- The stage of Consolidation (2005 – the present);
- The stage of Diversification (2013/2014 – until now).

2.2.1 The stage of atomisation (1990–1995)

As a result of the privatisation and liberalisation activities, the Czech retail sector was extensively atomised, and a wide range of entrepreneurial structures emerged in the sector, which very actively began to fill up the deficits of the retail network. The atomisation of the retail sector bore the signs of decentralisation and deconcentration of the original structures (Szczyrba 2006). Thousands of new units appeared, mostly based on domestic capital and in the form of family businesses, which began to fill up the gaps in the amenities of the settlements. Small forms of sale offering daily necessities were established in rural areas, while cooperative units were closed, or their sales area reduced, and the range of goods narrowed. In cities, the number of units and their sales area increased, as did the number of workers and the quality of goods offered. At the same time, new sales units expanded from the centers, which had been neglected in the previous period (Kunc et al. 2013).

The results of the Retail Census 99, which was provided by a consortium of GfK, INCOMA and MAG Consulting, illustrate the initial stage of the Czech retail transformation very clearly. This census showed that the number of retail outlets operating in the Czech Republic more than doubled in 1998 compared to 1989, from 41,000 to almost 96,000 (see Tab. 2.4). The most significant quantitative change during the transformation period under review was in the non-food stores (more than fourfold growth). Small stores up to 40 m² (60%) occupied the largest share in the retail network. Furthermore, according to the data obtained from the retail census, the efficiency of stores in the rural areas dropped; however, on the contrary, the efficiency of stores in cities started to strengthen in the retail system (Majerová et al. 2003; Kunc et al. 2013).

While the sales area in 1989 was over 3.5 million m², in 1998, it was already almost 7.2 million m², which meant that the area standard also more than doubled to almost 700 m². However, this increase did not help the Czech Republic to catch up with the developed countries of Western Europe, where the area standard at that time was above 1,000 m² (Szczyrba 2005). After less than ten years of retail transformation, the service standard approached the values of the 1930s or the first post-war years, and even here, it did not come close to the figures of Western Europe (see Tab. 2.4).

Tab. 2.4: Changes in the Czech retail in 1989–1998

Indicator	1989	1998	Changed completely	Index 1998/1989
Number of stores	41,188	95,852	54,664	2.3
Sales space in m ²	3,509,904	7,165,946	3,656,042	2.0
Number of employees	167,330	278,396	111,066	1.7
Area standard in m ²	331	697	366	2.1
Customer service standard	62	37	-25	0.6

Note: In some cases, the data slightly differ due to gradual modifications of methodology.

Source: The analysis of the retail network situation in the Czech Republic, the Czech Statistical Office (2000); Starzyczna and Steiner (2000); Jindra (2009); own processing

The regional overview (see Fig. 2.2) revealed relatively high variability of the area standard level, which oscillated between 519–828 m² of sales area per 1,000 inhabitants of the region in 1998. In the given year, most Czech Republic regions showed just an average level of community facilities ($\pm 10\%$ on average); three regions were above the average (Central Bohemia, South Bohemia, Plzeň regions), two regions showed significant below-average level of area standard (Zlín and Moravia-Silesian regions). Such differences were mainly determined by the starting development of a large-scale retail network which was just in its initial stage in 1998 (Szczyrba 2005a).

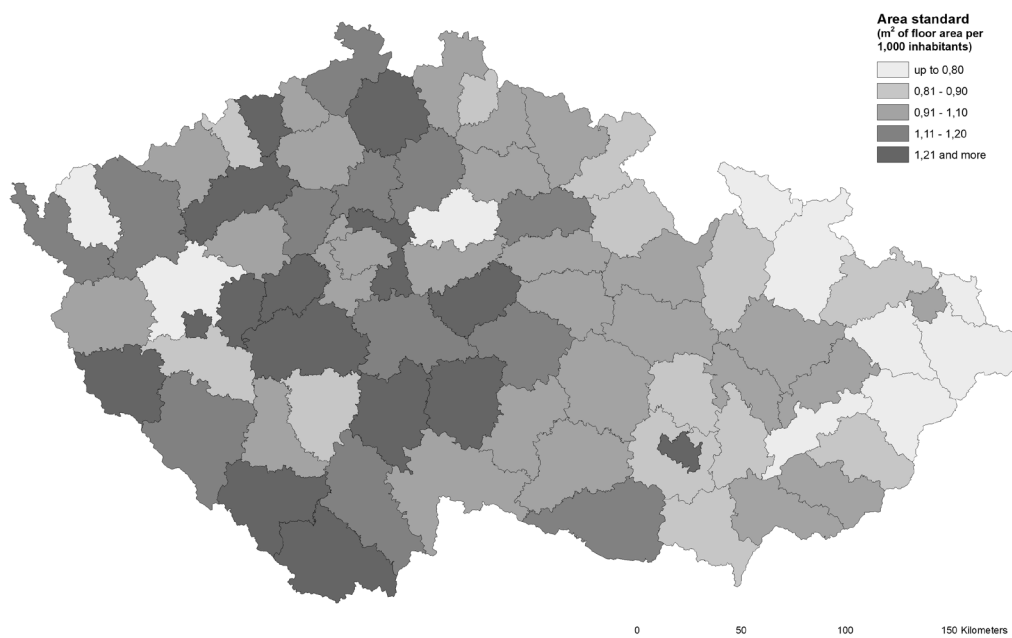


Fig. 2.2: Regional structure of area standard in 1998

Source: Retail Census 99, Czech Statistical Office (1999); own processing

Other interesting findings brought by Retail Census 99 could be summarized as follows (Pražská and Jindra 2002):

- 14% of municipalities did not have any retail unit in their territory;
- In 1998, the retail network was still atomised, even though in the second half of the 1990s the retail was undergoing the process of concentration – stores with the sales area up to 40 m², which represented 60% of the total number, had a decisive share;
- The walking distance of the population to do their shopping was decreasing;
- The average size of a store dropped from 85.2 m² to 74.8 m².

The stage of atomisation was accompanied by the deconcentration of retail structures at both quantitative and qualitative levels. New stores emerged, and the existing stores were changed. As early as in the first half of the 1990s, the Czech market witnessed the first wave of internationalisation in the form of the entry of the first foreign chains, which first took over the existing stores and later began to build their own stores on “greenfield sites” (Starzyczna 2010).

2.2.2 The stage of internationalisation (1996–2004)

In this stage, which started in the second half of the 1990s, multinational retail companies initiated spatial and organisational concentration in the Czech market (Szczyrba 2005a). The Czech market was hit by a second wave of internationalisation in the form of the entry of food and non-food foreign retail chains. Until then, only a few foreign companies (such as Belgian Delhaize, Dutch Ahold or German Billa) were established in the Czech market. The American chain K-mart, created via the privatisation of six Prior department stores (in Prague, Brno, Liberec, Plzeň, Pardubice and Hradec Králové), was also operating on the Czech market. This chain ceased on the Czech market in 1996 when it sold its department stores to the British chain Tesco. This acquisition was part of the company's broader strategy of international operations not only in Central Europe (Wrigley 2003).

Thus, more intensive internationalisation of Czech retail began in the second half of the 1990s. Before this period, the companies that operated in the Czech Republic had built up a particular position; however, a significant gap was still existing in the market, which represented an attractive opportunity for other companies. The established food chains included Tesco, Carrefour, Globus, Lidl, Kaufland and Penny Market, while non-food companies included IKEA and another chain of DIY³ Hornbach. Foreign companies included food chains, furniture stores or DIY, and companies offering drugstores and electronics. Makro Cash&Carry gained a vital position on the Czech market, although it cannot be considered a typical retail company.

Czech companies also tried to get involved in the competition; however, they were not much successful. The stores of Pronto Plus or Vít Grocery Stores got bankrupt or were

³ DIY = “do it yourself”, hobby markets.

sold. On the other hand, M-holding (later included in the Interkontakt Group) resisted market pressures and foreign competition for the longest time. In 1999, it could not withstand the strain and sold its stores to its competitors (Delvita, Ahold). Pronto Plus and Interkontakt were the only Czech companies that managed to launch hypermarkets in the Czech Republic (3 units) (Szczyrba 2005a).

Since the end of the 1990s, the Czech market was dominated by the German chains Metro, REWE, Schwarz, Tengelmann and Globus, which Dutch Ahold, Belgian Helvita, British Tesco, French Carrefour and Austrian Julius Meinl and Spar joined. In this stage, the mentioned companies were creating their own networks of stores, and the process of such creation is called by Szczyrba (2006) as settlement hierarchic and spatial diffusion with an effect of area expansion. The hierarchical settlement diffusion is primarily related to the size of the service territory, while the size of a store significantly correlates with the importance of the settlement. The following Tab. 2.5 presents the overview. It may be noted here that the retail market has become considerably saturated in recent years, and discount or small supermarket type units are now also found in the catchment area that does not reach the limit of 8,000 inhabitants.

Tab. 2.5: Typology of sales concepts depending on the population size of the territory served

<i>territory + background</i>	<i>Retail unit type</i>
<i>8,000–10,000 inhabitants</i>	<i>DIS, SSM</i>
<i>10,000–30,000 inhabitants</i>	<i>DIS, SSM, LSM, SHP</i>
<i>30,000–50,000 inhabitants</i>	<i>DIS, SSM, LSM, SHP, HBM</i>
<i>50,000–100,000 inhabitants</i>	<i>DIS, SSM, LSM, SHP, HBM, LHP</i>
<i>More than 100,000 inhabitants</i>	<i>DIS, SSM, LSM, SHP, HBM, LHP, RSC</i>

Explanation: DIS = discount; SSM = small supermarket; LSM = large supermarket; SHP = small hypermarket; LHP = large hypermarket; HBM = hobby market; RSC = regional shopping centre

Source: Szczyrba (2006); own processing

The arrival of foreign chains changed the so far development in retail. The number of stores grew, plants were modernised, new sales forms and various types of retail units and wholesale warehouses emerged. The Czech market was attractive for foreign companies in particular as a new outlet with the possibility of further expanding their activities outside the domestic market. The position of foreign companies on the market was dominant from the beginning, without much competition from domestic companies. Starzyczná (2010) stated that Czech companies suffered from a number of financial capital and professional deficiencies (low financial capital, lower management professionalism or lack of experience) that prevented them from developing their business in the large-scale retail segment. Domestic companies found it challenging to resist foreign competition and were forced to withdraw from the market.

Tab. 2.6: Selected foreign companies operating on the Czech market

<i>Name of the company (European group)</i>	<i>Country of origin</i>	<i>Year of entry</i>	<i>Year of exit</i>
<i>Ahold Czech Republic, a.s. (Royal Ahold, originally Euronova)</i>	<i>the Netherlands</i>	<i>1991</i>	<i>-</i>
<i>Discount, a.s. (Delhaize Le Lion) Delvita</i>	<i>Belgium</i>	<i>1991</i>	<i>2007 (sold to Billa)</i>
<i>Billa (Rewe)</i>	<i>Germany</i>	<i>1991</i>	<i>-</i>
<i>Asko Nábytek, furniture</i>	<i>Germany</i>	<i>1991</i>	<i>-</i>
<i>bauMax, s.r.o. (bauMax)</i>	<i>Austria</i>	<i>1992</i>	<i>-</i>
<i>Spar ČR (ASPIAG, SPAR Ostbayern)</i>	<i>Austria</i>	<i>1992</i>	<i>2014 (sold to Ahold)</i>
<i>Plus Discount (Tengelmann)</i>	<i>Germany</i>	<i>1992</i>	<i>2008 (sold to Penny M.)</i>
<i>Bauhaus</i>	<i>Germany</i>	<i>1993</i>	<i>-</i>
<i>Julius Meinl</i>	<i>Austria</i>	<i>1994</i>	<i>2005 (sold to Ahold)</i>
<i>OBI</i>	<i>Germany</i>	<i>1995</i>	<i>-</i>
<i>Sconto Nábytek (Höffner), furniture</i>	<i>Germany</i>	<i>1995</i>	<i>-</i>
<i>IKEA</i>	<i>Sweden</i>	<i>1996</i>	<i>-</i>
<i>Tesco Stores CZ, a.s. (Tesco plc.)</i>	<i>Great Britain</i>	<i>1996</i>	<i>-</i>
<i>Globus ČR, k.s. (Globus)</i>	<i>Germany</i>	<i>1996</i>	<i>-</i>
<i>Carrefour ČR, s.r.o. (Carrefour)</i>	<i>France</i>	<i>1997</i>	<i>2006 (sold to Tesco)</i>
<i>Makro Cash&Carry ČR, s.r.o. (Metro AG)</i>	<i>Germany</i>	<i>1997</i>	<i>-</i>
<i>Kaufland (Schwarz)</i>	<i>Germany</i>	<i>1997</i>	<i>-</i>
<i>Penny Market (Rewe)</i>	<i>Germany</i>	<i>1997</i>	<i>-</i>
<i>Hornbach</i>	<i>Germany</i>	<i>1998</i>	<i>-</i>
<i>Lidl (Schwarz)</i>	<i>Germany</i>	<i>2003</i>	<i>-</i>

Source: Szczyrba (2005); Starzyczna (2010); own processing

The first to participate in the stage of internationalisation were companies that managed to adapt to the inadequate parameters of domestic self-service stores, which were taken over and established in the Czech Republic by the first supermarkets in the early 1990s. As indicated above, the first to succeed on the Czech market were not the companies from Germany, which was logical given their geographical location and strong economic ties. German companies focused on the territory of the former GDR at the turn of the 1980s and 1990s, after the reunification of Germany, but quite quickly became the leading foreign players on the Czech market (Szczyrba 2006). More information can be found in Tab. 2.5.

A typical feature not only of the second part of this but also of the following stage of retail transformation in the Czech Republic was the further increasing concentration of

the sector, characterised by a gradual reduction in the number of retail units, the increase in the total sales area, the increase in an average size of sales area and the growth in the share of sales made by the largest companies. (Szczyrba 2006; Mulíček and Osman 2013).

2.2.3 The stage of consolidation (2005 – the present)

The Czech retail has gradually evolved into a highly competitive sector, and not all retail chains remained in it afterwards (see also Tab. 2.6). In 2006, French chain Carrefour left the Czech market, and its hypermarkets were sold to its competitor – the British chain Tesco. Another example was the sale of Julius Meinl supermarket network to the Dutch concern Ahold (2005) or the sale of the Julius Meinl Group's network of 130 Droxi drugstores to the German chain Schlecker (2007). Due to the bankruptcy of the mother company in Germany, the latter chain withdrew entirely from the domestic market in 2012 (Kunc et al. 2013). One of the last significant changes was the takeover of about five dozen loss-making businesses of Austrian Spar by the Dutch Ahold in 2014, thus becoming number one in the Czech retail.

While in the 1990s, some domestic companies (Interkontakt Group or Pronto Plus) were among the largest trading companies, the situation has been quite different for many years now. The top positions in the TOP 10 after 2000 belonged, and still belong, exclusively to foreign entities, with two Czech entities, namely the wholesalers Geco Tabák and Peal, in the second half of the TOP 10 on a regular position. Compared to the previous years' results, domestic companies have demonstrably lost their market shares to international trading companies because these chains have taken over the wholesale function in their activities, thus also gaining an advantageous position towards the suppliers of goods. The greatest concentration can be observed in the borderline sector, where the share of sales of the former largest retailers at the end of the last decade reached 70% of the TOP 50 retailers with sales over CZK one billion.

If we look at the annual growth rates of sales and other indicators for the largest retailers over the last few years, despite relatively significant fluctuations, they are far from reaching the levels of the initial phase of internationalisation, when sales grew by tens of percent year-on-year (see Tab. 2.7). The last decade has seen a consolidation of the retail market, characterised by a lower growth rate of the largest retailers and the concurrent strengthening of their market positions. As already mentioned, this was also influenced by the departure of some large retail chains from the Czech Republic starting in 2005. The values in Tab. 2.7 also clearly show the impact of the global economic crisis in 2009–2012, followed by the indicated stabilisation of the market.

The total retail sales area reached 11 million m² at the end of the last decade, and we can say with certainty that it continued to grow in the following years (Tab. 2.8). There was no significant growth in stores in the last decade; however, the standard area exceeded the “magical” limit of 1,000 m² per 1,000 inhabitants. Its value was increased, similarly as in other European countries, by new hypermarkets and shopping centres. However,

Tab. 2.7: Development of business companies' turnover in the TOP 10 in the Czech Republic in 1993–2011

Year	Sales in TOP 10 (in CZK billion)	Of which companies with foreign capital (in CZK billion)	Year-on-year changes in TOP 10 (in CZK billion)	Year-on-year changes in TOP 10 (in %)
1993	22.9	6.5	-	-
1994	27.0	14.4	4.1	117.9
1995	39.9	19.1	12.9	147.8
1996	52.6	22.7	12.7	131.8
1997	58.6	33.0	32.3	111.4
1998	90.9	70.9	36.4	155.1
1999	127.3	117.0	29.7	140.0
2000	157.0	147.7	23.2	123.3
2001	180.2	170.9	14.5	114.8
2002	194.7	185.5	13.1	108.0
2003	207.8	198.5	14.0	106.7
2004	221.8	210.9	7.3	106.7
2005	229.1	216.6	29.4	103.3
2006	258.5	236.6	30.5	112.8
2007	289.0	263.3	9.4	111.8
2008	298.4	271.6	11.0	103.3
2009	308.4	282.7	0.8	103.4
2010	309.2	282.6	16.3	100.3
2011	325.5	297.1	-36.7	88.7
2012	288.8	271.5	5.6	101.9
2013	294.4	276.2	-0.5	99.8
2014	293.9	276.6	33.3	111.3
2015	327.2	285.8	-12.7	96.1
2016	314.5	267.0	43.5	113.8
2017	358.0	307.2	12.6	103.5
2018	370.6	320.9	15.2	104.1
2019	385.8	330.2	-	-

Source: *Moderní obchod 2009/1-2; Starzyczná (2010); TOP 30 of the Czech Business 2020 (2021); own processing*

compared to the most developed countries, the Czech Republic significantly lagged in this indicator. According to the estimation by GfK company in 2012 (Key European Retail Data), there was approximately 1,000 m² of retail sales area per 1,000 inhabitants in the Czech Republic, 1,440 m² in Germany, 1,750 m² in Austria, and 980 m² in Slovakia. It is

evident that the data from various sources are different; however, this does not affect the set-up growth trend. According to Eurostat data for 2010, the value of the service standard has also improved, and the decline below the threshold of 30 inhabitants per retail worker in the Czech Republic is already equal with the most advanced Europe (for example, Austria 24, Germany 25, Slovakia 28, Belgium 34).

Tab. 2.8: Changes in the Czech retail in 1998–2009

<i>Indicator</i>	<i>1998</i>	<i>2009*</i>	<i>Absolutely changed</i>	<i>Index 2009/1998</i>
<i>Number of stores</i>	<i>95,852</i>	<i>108,000</i>	<i>12,48</i>	<i>1,13</i>
<i>Sales area in m²</i>	<i>7,165,946</i>	<i>11,000,000</i>	<i>3,834,054</i>	<i>1.54</i>
<i>Number of workers**</i>	<i>278,396</i>	<i>357,792</i>	<i>79,396</i>	<i>1.29</i>
<i>Sales area standard in m²</i>	<i>697</i>	<i>1,080</i>	<i>383</i>	<i>1.55</i>
<i>Service standard</i>	<i>37</i>	<i>29</i>	<i>-8</i>	<i>0.78</i>

**The data for 2009 has been estimated. ** The Eurostat data for 2010.*

Source: An analysis on the state of the retail network in the Czech Republic, the Czech Statistical Office (2000); Cimler and Šípek (2009); Eurostat (2014); own processing

Professionals rank the Czech retail market among highly competitive and saturated markets. Therefore, also large international companies have difficulties to maintain their positions on it. Thus, the consolidation stage will likely include further exits of large companies from the market in the near future. The acquisition of their market positions will further strengthen the concentration tendencies in the sector and other large chains (Kunc et al. 2013).

The ranking order of retail chains on the Czech market has changed after many years (Tab. 2.9). The number one position has now been taken by Lidl, which increased sales by 10% to CZK 58 billion in the financial year ending February 2019, overtaking the previously strongest Kaufland. Lidl attributes this success mainly to investments in modernising and remodelling its stores and opening new ones in city centers and in office or apartment complexes. As the level of culture and sales organisation increases, it moves further away from the blanket label of discount. At the same time, Lidl builds its stores in smaller towns than it used to do. The Czech Kaufland and Lidl belong to the German Schwarz Group, which ranks fourth in the world's retail chains.

During the last years, all chains in the Czech market have accelerated the modernisation of their stores. Out of CZK 20 billion, a great amount was used for the modernisation of the existing stores. Other large chains operating in the Czech Republic include Albert, Tesco, and Penny Market. Three-quarters of the Czech market is divided among 11 retail chains, which is significantly more than in Germany or Great Britain, where the same market share is divided among four chains.

A particularity and, at the same time, the strongest player, especially in the rural area, is the Union of Czech and Moravian Consumer Cooperatives (Skupina COOP). In 2019, the

Group brought together 47 consumer cooperatives, which ran a total of about 2,500 stores (this value is slightly decreasing each year) with a total sales area of about 400,000 m² and employed over 13,000 people. In 2019, the COOP Group reported a turnover of CZK 29.4 billion, which would take it in 8th position in the ranking of the largest trading companies. The number of cooperatives is around 100,000 (Profile of COOP Group 2020).

Tab. 2.9: Top 10 retail companies in the Czech Republic according to the sales in 2020

<i>Ranking</i>	<i>Company</i>	<i>Sales in total (EUR billion)</i>	<i>Number of stores</i>
1.	<i>Lidl</i>	<i>2.18</i>	<i>263</i>
2.	<i>Kaufland</i>	<i>2.12</i>	<i>134</i>
3.	<i>Albert</i>	<i>1.98</i>	<i>327</i>
4.	<i>Tesco</i>	<i>1.62</i>	<i>184</i>
5.	<i>Geco</i>	<i>1.47</i>	<i>314</i>
6.	<i>Penny Market</i>	<i>1.46</i>	<i>389</i>
7.	<i>Billa</i>	<i>1.12</i>	<i>302</i>
8.	<i>Makro Cash & Carry</i>	<i>1.08</i>	<i>13</i>
9.	<i>Globus</i>	<i>0.90</i>	<i>17</i>
10.	<i>GGT CZ</i>	<i>0.59</i>	<i>188</i>

Source: ZaPdata (2021), TOP 30 of the Czech Business (2020)

COOP is an internationally recognised trademark of consumer cooperatives that began to emerge in the mid of 19th century in the vicinity of Manchester, England. It very quickly spread in other countries around the world, including the contemporary area of the Czech Republic. COOP is the leader in the retail grocery market in Switzerland, Italy, Finland, and Slovakia, and it also has a strong position in Scandinavia, Great Britain, Japan, and other Asian countries (Profile of COOP Group 2020).

2.2.4 The stage of diversification (2013/2014 – until now)

It is a new possible stage or a partial part of the consolidation stage, which has not been, and never could be, captured in the domestic literature (Szczyrba 2005a; Starzyczna 2010; Kunc et al. 2013; Kunc 2020 and others). One of the first mentions of this forming stage is provided by Mulíček and Osman (2013), who in their study surveyed retail trade in Brno with a data basis as of mid-2013 and with the possibility of a comparative basis of similarly designed surveys from 1997, 2000, 2003, 2006 and 2009. Results of the surveys and the comparison to the previous two horizons of the survey allowed them to draw some conclusions about the beginning of changes in the structure of the retail network and the onset of the diversification stage. Its stagnation or escalation will be proved in the following years. Although this is not a nationwide survey, the results for a city the size of Brno are likely to be similar (already now or in the near future) in another urban environment in the Czech Republic.

The onset of the diversification stage is associated with a further slowdown in the concentration of retail structure accompanied by a new localisation strategy of stores with a smaller sales area. It is proved by the mentioned research by Mulíček and Osman (2013), the research by Spilková et al. (2013) conducted in Prague, focusing on the growing popularity of farm markets, and the research conducted by Kunc et al. (2012e, 2013) in Brno, revealing the growing popularity of smaller specialised retail units or new concepts of multinational chains (such as Tesco Express) in the city center.

The small-format segment of the retail structure was heavily reduced during the internationalisation and consolidation stage because it could not compete with new, modern, spacious multinational chains' stores with a full assortment, promoted via media. However, nowadays, we can see the tendency when it is possible to compete with large-scale and full-range units, under a suitable spatial location in the places of pedestrian concentration (public transport interchanges, stops/stations) and a relatively narrowly selected range of daily consumption, especially in terms of technologically unconditional availability and time-efficiency (Mulíček and Osman 2013).

According to the stated authors, the withdrawal of specific assortment groups from the inner parts of the cities took place as early as during previous periods. Typical examples include furniture, garden equipment, building material, also electrical appliances, and "hardware", to some extent, and others. Furthermore, the above mentioned authors state that the division of retail assortment – "inner city" and "suburban" (thus, another form of diversification), typically according to the average time of its consumption, is likely to continue. It can easily happen, and it is already happening to some extent, that products with a longer shelf life and greater demands on sales area will not be available in the inner city. The given fact may cause a problem in the future, especially for less mobile groups or those without access to certain transport technologies (such as older citizens, disabled individuals, unmarried mothers).

2.3 Creation of the network structure in the Czech retail

The transformation of the network structure of the Czech retail started with the development of individual large-scale selling concepts that represent the innovation both in the sector and area (Pražská and Jindra 1997). Leaving aside the retail operation-organisation structure from the period before 1990, which was represented by regional networks based on the administrative principle (Prameny, Jednoty), then the first indications of creating new network structures within the Czech retail based on the market principle were already seen in the first development stage of transformation – atomisation (Starzyczná and Steiner 2000; Szczyrba 2005a).

At the beginning of the 1990s, the first international companies (such as Ahold, Delvita) entered the Czech retail market (in a limited range) and started building up their retail networks by acquiring the existing stores that technically and spatially suited to the company's own requirements. The actual development of new large-scale selling

concepts did not start until the second development stage (internationalisation), when the largest food and non-food supranational retail concerns were entering the Czech Republic (Szczyrba 2005; Szczyrba et al. 2007).

With the arrival of international retail chains in the Czech market, the stage of the retail network development in the form of building large-scale retail units began. Characteristic networks of large-scale operation units were formed and gradually started to take the lead of the market. Similarly, retail network structures were formed in other countries of the region, in Slovakia (Mitríková 2008; Križan 2009) or in Poland (Wilk 2005).

A typical feature of the development in the Czech market was a timeline of the development process in individual large-scale selling concepts. During this development, the Czech consumer population gradually accepted almost all modern large-scale stores. The development of the retail network in the Czech Republic was established on the building of the modern network with a broad spectrum of large-size stores, and it could be divided into individual sub-phases (Szczyrba 2005a; Szczyrba et al. 2007):

- Subphase 1, dynamic development in supermarkets network, 1995 →
- Subphase 2, dynamic development in discount stores network, 1997 →
- Subphase 3, dynamic development in hypermarkets network, 1998 →
- Subphase 4, dynamic development in shopping centres network, 2000 →

The current supermarkets' market in the Czech Republic is in the hands of three foreign chains – Ahold, REWE and Tesco Stores. Some companies have already been in the Czech market since the very beginning of the internationalisation stage. Some companies have left, and their stores were transformed into stores belonging to other chains. Ahold, which operates Albert supermarkets, has been active in Czech market for a long time and it took over Juliu Meinl supermarkets in 2005. Billa supermarkets expanded its stores to include the former Delvita supermarkets, which stopped their operations in 2007. Spar entered the supermarkets' market in the same year, and the domestic COOP chain maintains a strong position. According to the results of the GfK study, these chains ran approximately 740 grocery supermarkets with a total sales area of 507,000 m² in 2016 (SOCR ČR 2020). In 2019, the number of supermarkets (excluding the new non-discount concept of Lidl) exceeded 800 units operating in the area of about 550,000 m² (SOCR ČR 2020).

Discount stores continue to develop dynamically, and, after hypermarkets, they are the second most popular type of supermarket for Czech households. In its initiation stage, it was the development of the sales network of the German supermarket chains Plus and Penny Market. The vigor with which these chains entered the market in 1997 led to the naming of this initiation as “the year of discounts”⁴. In 2003, another German discount chain Lidl started to expand rapidly. In 2007, the Plus Discount stores were taken over by REWE and renamed to Penny Market. Just Penny Market and Lidl are the only two discount chains that cover the whole territory of the Czech Republic. Another German discount network Norma operates only in the western part of the country; the COOP Diskont stores are represented in seven out of fourteen regions. At the end of 2016, four discount chains were operating in the Czech market (COOP Diskont, Lidl, Norma, and Penny Market). They ran 660 stores with

⁴ Similarly, the year of 1998 is marked as the year of hypermarkets.

a total sales area of almost 500,000 m² (SOCR ČR 2020). In 2019, the number of discount stores approached 750, and the sales area reached 570,000 m² (SOCR ČR 2020).

Networking in the hypermarket line represents one of the most visible features of the Czech retail transformation. Hypermarkets have become a decisive phenomenon in the dynamics of change in the Czech retail. Due to their regional dimension in the territorial structure and retail gravity, they represent the backbone of the Czech retail network (Szczyrba 2006). At the end of 2016, four hypermarket chains operated in the Czech market (Albert hypermarket, Globus, Kaufland, Tesco hypermarket) that were running 317 stores in total, with the total sales area of 1,369,000 m² (SOCR ČR 2020). In 2019, the number of hypermarkets was 330, and the sales area exceeded 1,400,000 m² (SOCR ČR 2020). With 32 hypermarkets per 1 million inhabitants, the Czech Republic is among the top three European countries.

As shown by the latest data obtained from the Incoma GfK company (Tab. 2.10), half of the Czech consumers (49%) prefer this format as the principal shopping place. In a brief comparison – supermarkets have stopped popularity decrease, and for quite some time, they have been fluctuating between 15–18%. Since 2005, discount stores have been stagnant between 21–24%; a more significant decline in popularity (down to 10%) has been recorded by convenience stores and smaller over-the-counter stores (SOCR ČR 2020).

Tab. 2.10: Preferences for retail formats according to households' expenses on fast-moving consumer goods (in %)

<i>Format</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2003</i>	<i>2005</i>	<i>2013</i>	<i>2016</i>
<i>Hypermarket</i>	4	16	20	29	37	36	44	49
<i>Supermarket</i>	26	23	29	26	19	15	18	16
<i>Discount stores</i>	13	15	17	18	19	24	21	23
<i>Self-service and over-the-counter store</i>	53	42	31	25	23	22	15	10
<i>Others</i>	4	4	3	2	2	3	2	2

Source: Spilková (2008); Shopping Monitor 2013 (Incoma GfK Praha, 2014); Shopping Monitor 2016 (Incoma GfK Praha 2017)

Hypermarkets still hold the top position in sales, with a market share of 36% in 2019. However, they are gradually weakening against smaller supermarkets and discount stores. Two factors influence it – the number of transactions (in other words, how many customers visit them) and the shopping basket size (the amount that the customers spend on one shopping). Moreover, the number of small-format stores, the so-called convenience stores, is decreasing. These stores are losing ground in the long-term horizon – compared to the period a decade ago; their number fell by 14% and it is further falling (idnes 2019).

More than 1,500 stores belonged to large retail chains in the Czech Republic in 2020. Their network per capita is one of the densest in the world. Despite the significant saturation of the market, new stores are still being added, and companies do not plan to limit expansion in the coming years. However, large cities are already running out of suitable land for development, and various forms of shopping parks are moving to smaller settlements to compete with the original local stores. Moreover, cities do their best to regulate the high concentration of large stores. Despite the overwhelming popularity of Czech families doing their shopping in hypermarkets, there has been a clear shift away from long shopping sprees towards saving time in recent years. The largest supermarkets are beginning to lose customers slightly, and they adapt by remodelling and reducing their sales area (ČT24 2020).

Frame 1: Rural retail – a brief overview

The support of trade and commercial services in rural areas has been an intensely debated issue in the Czech Republic in recent years, not only in the academic community but especially at the regional and national levels within the organisations and institutions concerned. It is an important issue because basic amenities meet the needs of particularly socially vulnerable populations (older adults, residents without individual car transport). The sustainability of retail stores in smaller communities of up to 500 inhabitants is primarily discussed (Kunc et al. 2013; Maryáš et al. 2014; Šilhan and Kunc 2020). On the one hand, the number of municipalities over 500 inhabitants and the number of their inhabitants have been growing in the last 10–15 years; on the other hand, the number of municipalities up to 500 inhabitants and their inhabitants is declining. A more significant relative drop in the number of inhabitants has long been recorded in municipalities up to 200 inhabitants (Association of the Czech Traditional Trade 2019).

The discussion of the expert literature brings the fact that the classical (typical) countryside is the most threatened by the weakening of amenities and service functions in the Czech space, with the most significant problems in areas classified as inner peripheries, border areas, and others. However, the weakening of rural areas is far from being the domain of Central and Eastern Europe (Lauko et al. 2008; Páll and Hanf 2013; Stanciu 2015). Similar problems are also pointed out in developed countries such as England and Scotland (Paddison and Calderwood 2007; Cunningham 1999), Germany (Trebbin et al. 2013), Finland and Denmark (Nørgaard 2011) and also the countries outside the classical European space such as Iceland and Faeroe Islands (Karlsson 2012). It is evident that the stated disparities and development barriers, or rather fundamental issues of rural areas, resonate across the European space.

While the 1990s were crucial for the comprehensive economic transformation of retail and services in the Czech Republic, the first two decades of the new century resonate with the most significant changes in terms of retail and service provision in the rural area. Unhealthy liberalisation of the market environment, pressure from large chains, lack of customers and the general inability to compete caused the disappearance of more than 6,000 small stores (up to 400 m²) after 1990, mainly in rural areas. According to the Czech Traditional Trade Association (2019) statistics, 400 stores with the sales area of up

to 50 m² were closed in the Czech Republic in 2017. Within the nationwide COOP group, the most established in the Czech and Moravian countryside, 125 stores in small villages ceased to exist or were closed in 2015–2016. More than other 900 stores were loss-making in 2016, while many of them will have to be closed.

The growth in the number of supermarkets causes troubles to entrepreneurs operating in villages as they can compete with the big chains, often only with the financial support of the municipalities. According to the Czech Traditional Trade Association, retailers keep around 17% of loss-making businesses running, mainly in rural areas. Only a few stores have been closed in the last few years, also thanks to the support provided by municipalities or regions through subsidy titles. The Obchůdek 2021+ programme, introduced by the Ministry of Industry and Trade of the Czech Republic, is determined to support small stores located in municipalities of up to one thousand inhabitants, or three thousand inhabitants consisting of local parts having less than one thousand inhabitants. At the same time, there must not be more than one store in the municipality or local district when the application is approved. The Ministry of Regional Development also wants to support the operation of small stores in rural areas; therefore, the previous trend of a very high number of stores being closed will not probably be so dynamic (ČT24 2020).

2.4 Diffusion character of retail network structure

As we have already seen in the past development of the creation of the local retail network structure, the localisation of modern large-scale stores has a diffusion character in the territory, and its elementary feature is to fill up the space in a relatively short time. The innovation in the form of a new selling concept, be it a hypermarket, discount store or shopping centre, is quickly adapted to fit its user's (consumer's) needs and spread rapidly over the space. The innovation spread without any significant barriers. In the context of changes within the retail network and creation of its network structure, it is the development that is mainly influenced by the factor of market and position, in other words, by the reached level of urbanisation in combination with the purchase power indicator (Viturka et al. 1998, Szczyrba 2005a; Szczyrba et al. 2007). Thus, in the regional-geographic context, three cases of diffusion process may be specified:

- Expansive hierarchical diffusion (its cascade subtype) is spread in line with the size of the served area, or population concentration; the size of the store correlates with the importance and the size of the settlement within the settlement served system; location of the wholesales stores in the territory is provided on the principle of complementarity⁵. Hypermarkets Tesco, Kaufland or shopping centres can be typical examples (Fig. 2.3 and 2.4);
- Expansive contact (wave) diffusion is typical for the expansion of retail discount chains of Penny Market and Plus in the direction of West → East; the development began before 1997 and was running for the next few years until the innovation wave reached the eastern border with Slovakia); in the course of the advancing wave, the space in the already "occupied" territory is filled;

⁵ In this case, the complementarity is the ability of spatial supplementation.

- Expansive contact diffusions ongoing in the form of so-called “widespread expansion”; this is an immediate nationwide coverage of the territory of the country characterised by the opening of several dozen stores in one day, which is how the company starts its territorial expansion; this approach has so far been applied in the Czech Republic by the only foreign retail chain Lidl – it opened 14 discount stores at one point in time in mid-2003; at the end of 2004, it ran 96 of them; at the end of 2006, already 152; and currently (in 2020) it has more than 260 stores (Fig. 2.5).

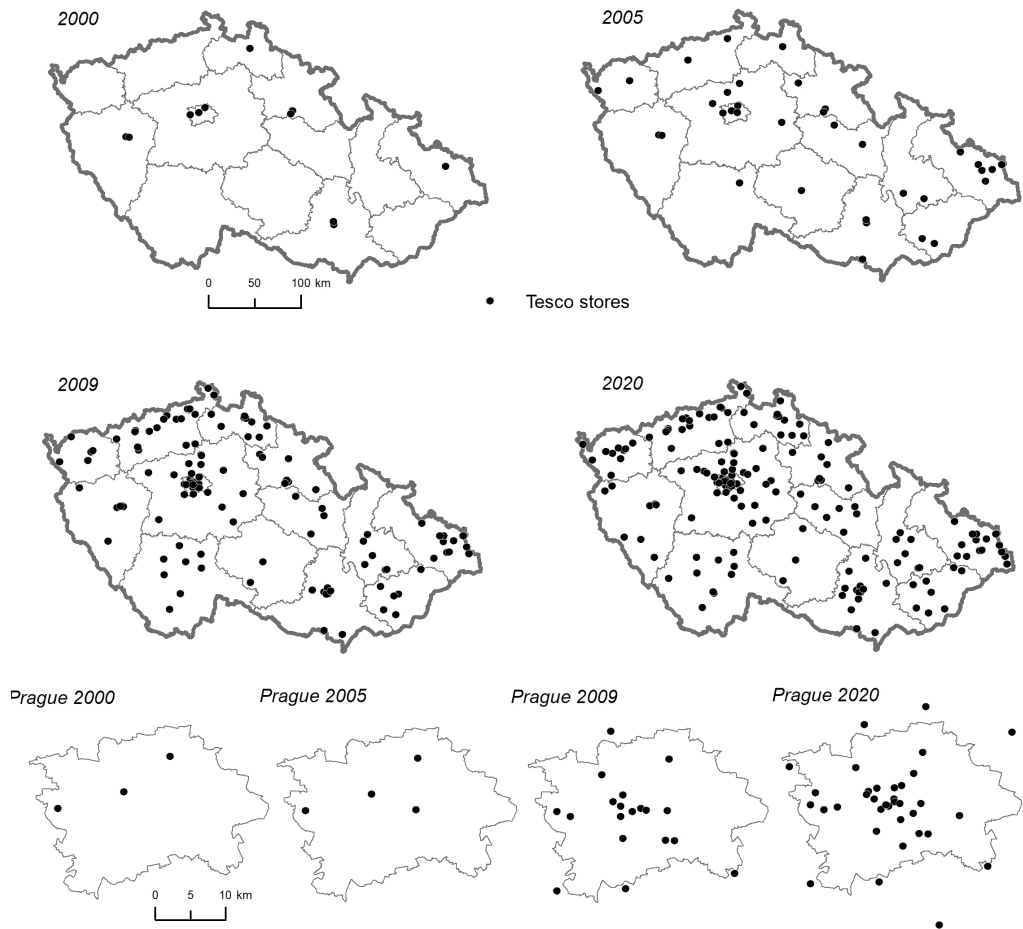


Fig. 2.3: Example of expansive hierarchical diffusion – network of Tesco supermarkets and hypermarkets in the Czech Republic

Source: The databasis of individual retail chains and shopping centres; own processing

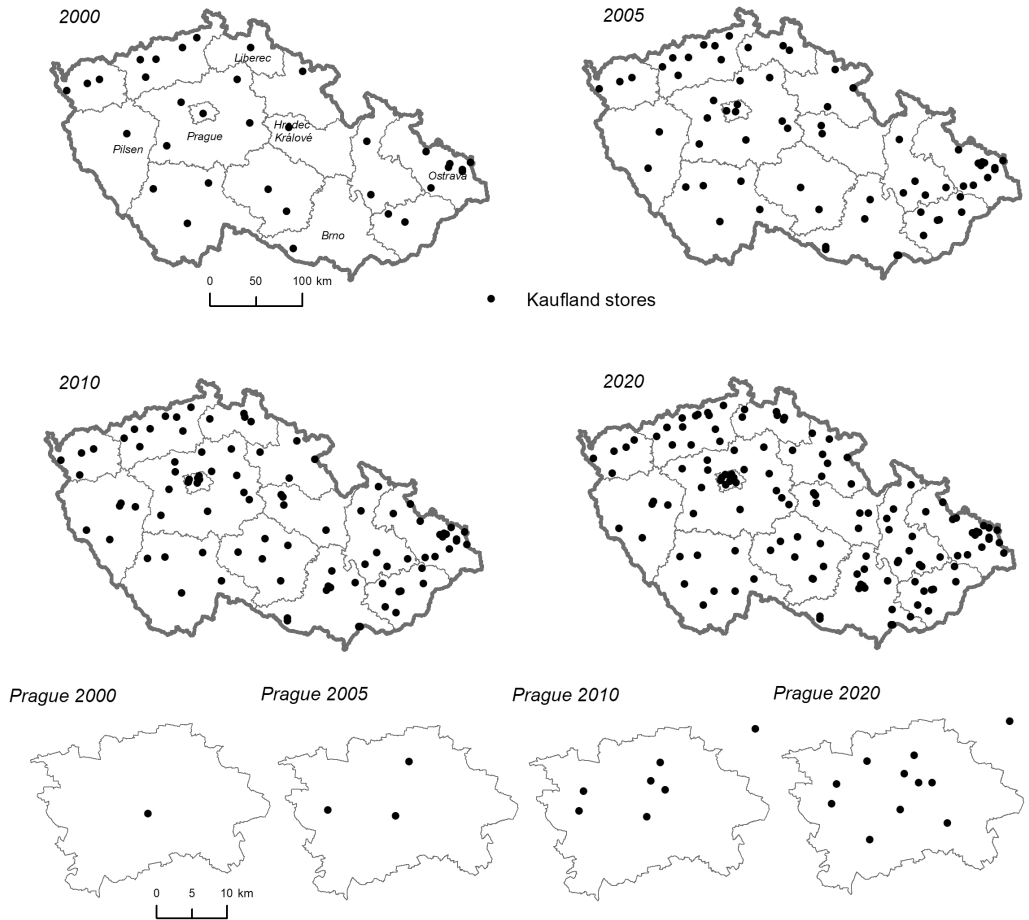


Fig. 2.4: Example of hierarchical diffusion – network of Kaufland hypermarkets in the Czech Republic

Source: The databasis of individual retail chains and shopping centres; own processing

In general terms, the current stage of expansion and consolidation, led by foreign retail chains, is entering the stage of spatial concentration, which is characterised by a growing vertical shift from larger to smaller settlements or a shift from central locations within the larger territory towards smaller centers operating in smaller territories. Thus, in practice, large format retail concepts such as hypermarkets (small formats) or hobby markets are moving towards the centers with a critical population size of around 30,000 inhabitants, supermarkets, and discount chains to virtually all commercially important centers for the sale of their goods, in other words, to the lowest hierarchical level of service centers.

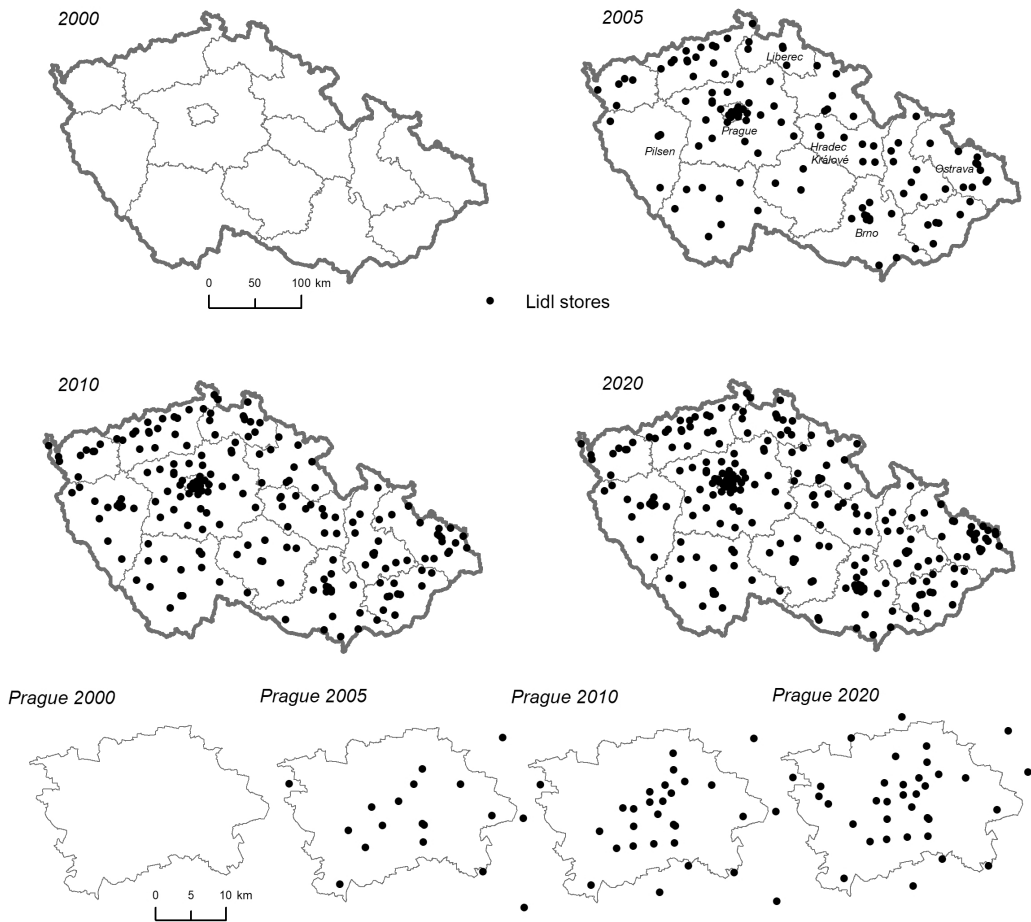


Fig. 2.5 Example of contact diffusion – network of Lidl discounts and supermarkets in the Czech Republic

Source: The databasis of individual retail chains and shopping centres; own processing

2.5 The phenomenon of shopping centres

Originally, the shopping zones in city centers were emerging without any previous planning; on the other hand, a contemporary shopping centre is (or it is supposed to be) a pre-planned intention. Its size is to correspond with the purchasing power in the catchment area, and the offered assortment should be attractive. In the Czech Republic and in other post-socialist countries, the shopping centres were not established until the second half of the 1990s, and their real boom came only in the first decade of the present century; thus, more than forty years behind economically developed Europe.

However, the dynamics of the entry and the spread of this new retail concept were much faster than in the USA and Western Europe (this was mainly due to the significant undersupply of retail space at the time, and the initial receptiveness to foreign investors), despite all negatives, such as poor spatial planning and market research, the negative impact on the socio-cultural and physical environment, and significant changes in the shopping behaviour of the population (see, for example, Kok 2007).

After the arrival of foreign chains in the Czech market and the introduction of modern retail formats (supermarkets, hypermarkets, discount stores), at the end of the 1990s, the Czech Republic began to attract developers from large shopping centres, which had already been popular in the Western Europe market environment. The development of shopping centres is, to a large extent, conditioned by a stable political environment of the host market, which the Czech Republic was only able to offer less than ten years after the fall of communism (Szczyrba 2005a). The Černý Most shopping centre in Prague, opened in 1997, became the first modern shopping centre in the Czech Republic. Other shopping centres, such as Průhonice, Borská Pole in Plzeň, or Avion Shopping Park in Brno, were opened in the following year. The development and dynamics of the shopping centres' construction is depicted in Fig. 2.6.

Since 1997, the number of shopping centres grew year after year, whereas the construction culminated in 2005–2008 (the peak of economic conjuncture). It was followed by a decrease in the construction of shopping centres, while the reason was not only the global financial crisis but also the ever-growing saturation of the market by this segment. In the last years, commonly, only one shopping centre is opened per year, and the shopping centre's management is more focused on its modernisation, re-modellation or expansion (more details can be found in the text below).

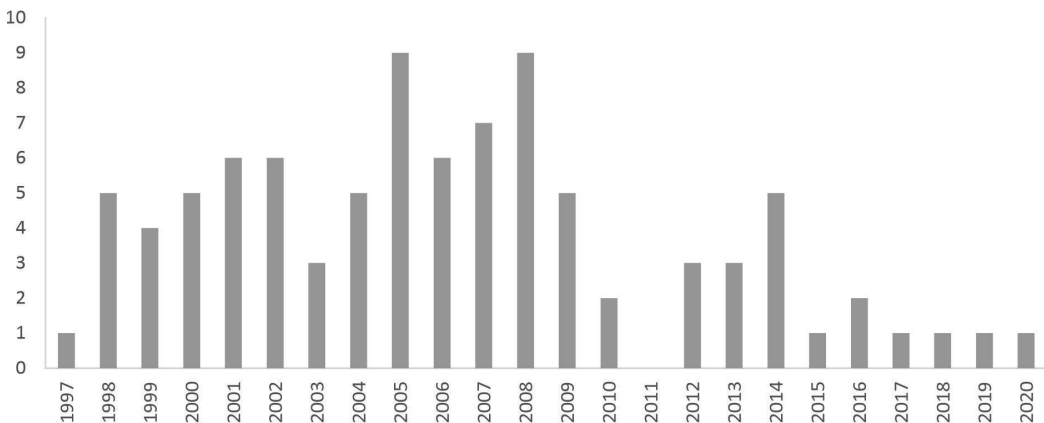


Fig. 2.6: Development in the construction of shopping centres in the Czech Republic in 1997–2020

Source: own processing

At first, shopping centres began to emerge in the outskirts of big Czech cities (most often outside the inner city and historical center). There was enough space for their construction, and vacant areas, such as greenfields, were preferred. However, as evident from Fig. 2.7 and 2.8, since 2009, the development has turned towards far more intensive use of areas and constructions in inner parts of cities and historical centers, where plants, factories, or other structures such as brownfields used to stand decades ago. Now they changed their function and became modern shopping centres (Steinführer 2006; Kuda and Smolová 2007; Kunc et al. 2011, 2012a). The developers have realised that the purchasing power and demand lie in the city, in its center, and they started to act accordingly. Targeted pressure from city officials also contributed to this situation.

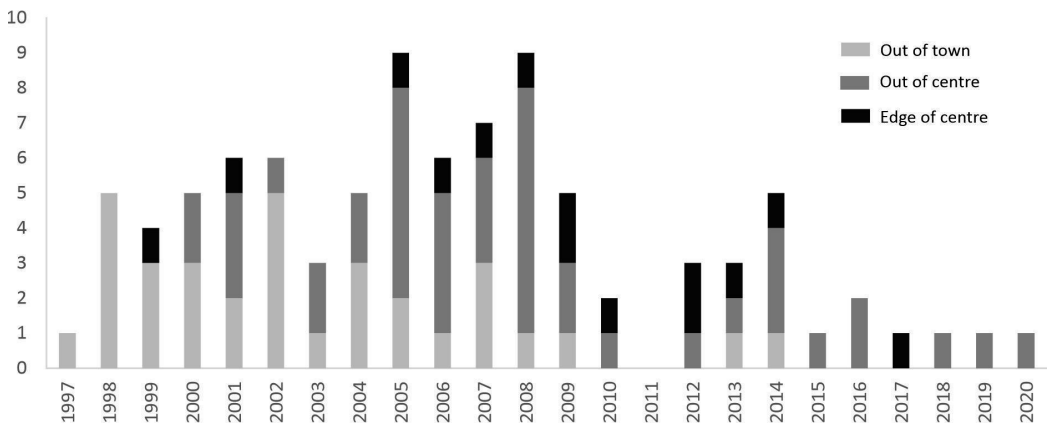


Fig. 2.7: Development in construction and localisation of shopping centres in fundamental morphogenetic city structures

Source: own processing

With the global financial crisis, starting in 2008, the construction boom of large shopping centres finished (with a few exceptions) (see also Fig. 2.9). Instead of construction, the current trend is based on reconstruction, re-modellation or expansion of the existing buildings. Thus, since 2010, about 20 shopping centres have been modernised in the Czech Republic (Kunc et al. 2020).

A traditional shopping centre is a multi-purpose project conceptually designed as a closed building in open space, which can be further subdivided according to its size. The specialised shopping centre model comprises specific purpose retail units which are typically built in the open space and can again be subdivided according to their size.

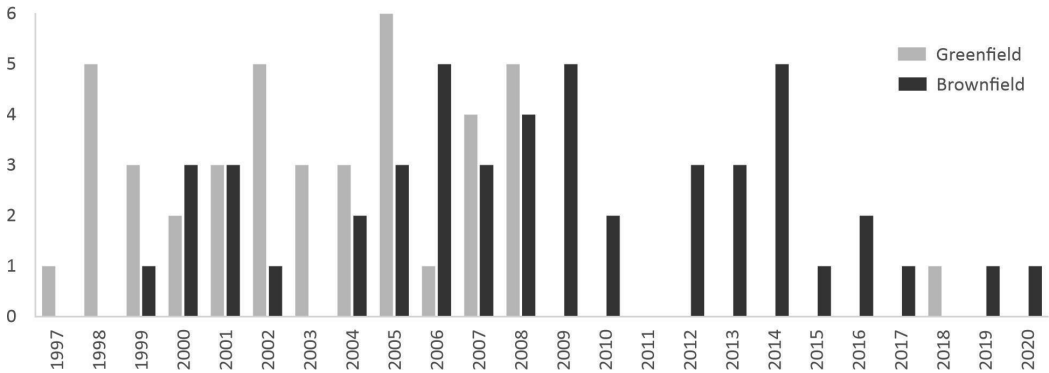


Fig. 2.8: Development in construction of shopping centres and localisation in greenfields and brownfields

Source: own processing

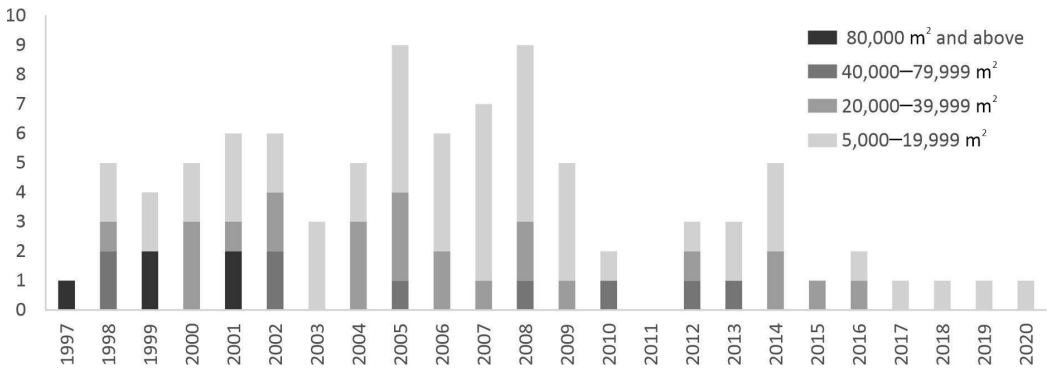


Fig. 2.9: Development in the construction of shopping centres according to the gross leasable area (m²)

Source: own processing

According to the size, the shopping centres may be divided into four primary groups (ULI 1999; Spilková 2012a). The catchment area of supra-regional centers includes 300,000 and more inhabitants and a gross leasable area of over 100,000 m²; the spheres of their influence may overlap. Regional centers are the most common; they provide a wide range of stores and services and provide their services to about 150,000 inhabitants within 30 minutes from the shopping centre. The core of a community center is a supermarket or

discount store with an area of 10,000 m² (and more), providing services to the area with 50–100,000 inhabitants. A precinct shopping centre satisfies elementary and everyday needs, and a supermarket (or even a drugstore or pharmacy) is often the magnet. The gross leasable area is usually about 5,000 m², and the catchment zone is up to 30,000 inhabitants.

In a specific analysis, it is possible to go deeper and define more distinct, historically formed morphogenetic zones in which retail and shopping centres are located. The environment of the historic towns of the Czech Republic offers five possibilities for the location of shopping centres (Kunc et al. 2012a; Kunc et al. 2013):

- City center – a traditional business and service part of a city with stores and shopping centres embedded in the historical construction;
- Outskirts of the city center – a part of a city also already with areas other than retail (such as industry, administration, educational institutions); the shopping centre is easily accessible;
- Wider inner-city – city quarters adjacent to the historical center, often with a significant residential and industrial-administrative function where the construction of shopping centres is already more feasible in vacant areas;
- Wider city area – shopping centres set mostly into peripheral housing estates complement the former occasional amenities;
- Suburban area – the construction of shopping centres is limited by the existing construction, mainly on the border or outside the administrative border of the city in the open countryside or the existing village construction with a lower retail standard.

In the city center and at the city core edge, it is most commonly possible to find shopping centres set into the existing dense housing where historical features are interlinked with modern architecture in a more or less successful form. Rarely, it may also be a completely new building with no coherence with the original elements. The construction and expansion of centers within inner-city structures are always limited by the cultural and historical value of the original buildings. These are typically multi-storey buildings with a lower total leasable area, where a large hypermarket cannot be used as a magnet. However, the magnet can also become, for example, multiplex cinema, which contributes, together with retail and service units, to the revitalization of historic urban cores. Due to traffic constraints in city centers, walking is the most common and natural mode of transport. The lack of parking spaces in the hinterland of the center can be considered a problem, which is understandable, especially in the pedestrian zones of historical cores, or compensated for by the location and walking distance to public transport or parking lots (Kunc et al. 2012a, 2012b, 2013).

We can mostly find supermarkets, self-service stores, shopping departments or small shopping centres, specialised stone stores, farmer's stores and stalls, corner shops, and others in the city centers. The suitable spatial location of smaller retail units, in the center, in places of pedestrian concentration (public transport interchanges, stops – parking spaces are often lacking), narrower and better-quality assortment – all this with technologically unconditional accessibility – are competitive advantages over large-scale

stores emerging outside the city center and its near outskirts. Multinational retail chains have already noticed it, and small-scale concepts (such as Tesco Express) are part of their current and future strategy (Kunc et al. 2012a, 2012b, 2013, 2020).

Increasingly, developers build new large-scale units and shopping centres on the outskirts of the center or in the wider inner-city on previously unused sites (brownfields); old industrial buildings are being revitalized using original and sometimes architecturally valuable elements (Crosby et al. 2005; Kunc et al. 2013). Far from always being just business or commercial areas, as Kok (2007) pointed out, retail is a trustable and important source of income, and it becomes an indispensable key factor influencing the feasibility of the whole intent.

Outside the city center and its nearest edge, the possibilities for spatial expansion are bigger; large-scale concepts and shopping centres are being created through the re-development of the former civic amenity buildings and on vacant areas in housing estates or after re-development of production areas. Shopping centres usually include a hypermarket, a hobby market, restaurants, and services. In the suburbs or outside the city, giant projects are being built with large-scale buildings and level parking lots on open space for thousands of vehicles. The magnet is not always a hypermarket with a predominance of food products but also another entity (typically IKEA). It can, and often it does, include multiplex cinemas, restaurants and fast-food outlets, various sports facilities, recreation areas and other services and leisure facilities, as well as hobby markets and retail parks (Kunc et al. 2012a, 2012b, 2013).

It cannot be completely denied that the construction of large shopping centres outside urbanised areas will increase shopping and leisure opportunities for residents of the city and rural villages in its hinterland. On the other hand, this construction means a significant impact on the cultural area and the quality of life of the area's inhabitants (such as new technologies and transport infrastructure, creation of new public transport lines, higher intensity of car transport with all its drawbacks, take of quality land). In this respect, it is necessary to point out that since the 1960s, many Western European countries have tried to somehow regulate the construction of this type which gradually grew stronger as the main negatives associated with the increase in individual car traffic and the weakening of traditional shopping venues in city centers became more apparent (Guy 1998b; England 2000; Poole et al. 2002; Križan et al. 2019, and others). By contrast, the local authors (Spilková 2010; Spilková and Perlín 2010) repeatedly point out that, although in some former Eastern Bloc countries have adopted similar measures, there is not any unified and effective tool or measure for regulation of large-scale retail facilities outside built-up areas (or for regulation of large-scale retail facilities, in general) in the Czech Republic.

On the other hand, the construction of shopping centres in the built-up residential areas can contribute, and it has already contributed, to the revitalization of historical cores and adjacent districts that are losing their shopping and service functions just to large shopping centres built in greenfields at the cities' outskirts. The contribution to the city-forming function associated with the natural commute to the inner city for shopping and services is negligible. Czech city centers are exposed to an increasing process of commercialisation,

one of the consequences of which is the displacement of food outlets from the city center (Sýkora 2001; Ilnicki 2009; Poole et al. 2002; Kunc et al. 2012b; Križan and Šveda 2012; Križan et al. 2019). The sales area of food stores in the city centers is still declining and, with few exceptions, the area of non-food specialised stores is declining, too. The center of gravity of shopping for food and the non-food assortment is being moved to the estate zones and to the urban peripheries where supermarkets and hypermarkets are situated, often as a part of shopping centres.

The current trend and approach to the location of shopping centres is the withdrawal of large-scale projects located in the outskirts of cities. These locations, which already have elements of rural character, tend to be under pressure, especially regarding increased car traffic and land take, which are perceived mostly very negatively by local residents and municipal and city officials (Kunc et al. 2013). Limiting the construction of large new centers is typical of Western Europe in particular. Restrictive policies can be found both in Great Britain (Guy 1998b) and in Italy and France (Pellegrini 1995). The claim is also supported by studies by Cushman & Wakefield (2017), which observe a trend in the modernisation of the existing centers. Apart from the reasons mentioned above, changes in construction are often due to market saturation and changes in shopping preferences.

The center of gravity of shopping for food and the non-food assortment is being moved to the estate zones and to the urban peripheries where supermarkets and hypermarkets are situated, often as a part of shopping centers (Fig. 2.10).



Fig. 2.10: One of the most visited shopping centers in the Czech Republic: Arkády Pankrác Prague and Galerie Vaňkovka Brno

Source: Josef Kunc archive

Compared to developed Europe, the situation in the Czech Republic is different due to the later emergence and development of shopping centres. The Czech Republic belonged, together with Poland, to the category of new developing markets (Poole et al. 2002), and was later followed by Slovakia, Hungary, Romania, Bulgaria, Croatia, Serbia and, in the past years, very dynamic Russia and Turkey (Kunc and Križan 2018). In the mid-1990s, the situation did not change much in the Czech Republic and other post-socialist block

countries and was similar to the former East Germany, where, after unification, there was no rapid implementation of a more important tool for regulation (Kaser 1995). However, the negative situation has not changed significantly even after several years, which is also confirmed by Spilková and Perlín (2010) who state that despite the efforts of some Central and Eastern European countries to partially regulate retail (Slovakia, Poland), the Czech Republic still lacks a comprehensive instrument for regulating the construction and location of shopping centres. The absence of legislative instruments, and the apathy of the competent authorities can also be observed in recent years and the prospects for the future do not suggest any significant positive changes.

Frame 2: Retail Parks

The term retail park refers to a retail concept, usually located on the outskirts of a city and connected to a store of one of the grocery chains (anchor), which always offers at least three stores, mainly for daily necessities, with separate entrances and shared parking. The stores are individual economic units, without a single operator or owner like in shopping centres.

In 2020, 23 retail park projects were completed or expanded in the Czech Republic with a total retail area of almost 55,000 m² while 14 brand new retail parks were built (Fig. 2.11). More than three quarters (77%) of these were new projects (14). Just 19% were expansions of the existing projects, while 4% were conversions of supermarkets or hypermarkets into retail parks. Overall, the Czech Republic now has more than 250 shopping parks. The total area of all retail parks in the Czech Republic has exceeded 1 million m².

In recent years, the construction of retail parks in the Czech Republic has focused mainly on smaller towns of up to 40,000 inhabitants. Due to their focus on essential goods stores and access to the stores directly from the parking lot, retail parks are resilient and thrive even during the coronavirus crisis and, therefore, enjoy the interest of developers and investors. The findings were revealed in an analysis by a real estate consultancy company Cushman & Wakefield (ZpPdata 2021).

Since the last construction boom in 2009, when roughly 80,000 m² of retail parks were newly completed, an average of 42,000 m² was completed annually over the next ten years, thus, making last year above average. Compared to previous years, 2020 can be assessed as a strong year in terms of new construction volume. Retail parks are an attractive concept for developers and investors in pandemic times. Last year (2020), their construction even exceeded the development of classic shopping centres (ZpPdata 2021).

2.5.1 Change in the development of shopping centres in the Czech Republic

In terms of the retail phenomenon, the shopping centres, in almost all aspects, have changed – the way and forms of construction, location within cities, tenant mix and their location within the shopping centre premises. Since 2009, shopping centres are being built inside cities, in the previously built-up areas or brownfields. The centres are smaller; many of the established and thriving shopping centres are being remodelled or expanded. The tenant mix has changed; the focus on fashion, fashionable

accessories, footwear or sports and leisure time apparel still prevails, however, there is a very dynamic development in food segment, be it classical type of fast-food or newly in the form of slow food establishments and various types of organic stores, farmer's, regional and local products, whose real authenticity can sometimes be doubted. Grocery stores, snack bars, restaurants, cafés, and so on, now occupy a large area in the center, occupying even the whole floor. Farmer markets and other types of gastronomy-focused events organised indoors, and within the close background of a shopping centres are very popular.



Fig. 2.11: Examples of retail Parks: Retail Park Karviná and Stop Shop Třebíč

Source: Josef Kunc archive

A successful shopping centre can no longer be just a place where certain goods are offered; it would not survive. It is becoming an outright “visitor destination” with an orientation towards shopping, but increasingly also towards leisure, relaxation, experience. It has become an open and relatively safe public space and a meeting place for people. In particular, the internal architecture of the centers’ buildings is more attractive in terms of the friendliness of the environment – indoor spaces are more colourful, warmer, offer a range of accompanying services, but also with more benches, greenery, relaxation areas, and so on. A thriving shopping centre has a significant impact on the region’s economy and employment, has a strong social status and respects economically/socially/environmentally sustainable forms of operation.

Shopping centre management has been forced to change marketing strategies and increasingly focus on particular population groups; general advertisement and promotions are no longer enough. This fact is related to a significant change of cultural values and life cycle connected with shopping behaviour across all generations, while a whole day spent in a shopping centre is not uncommon today. They also often become a tourist destination as a part of so-called holiday shopping (Kunc 2020).

Apart from the facts described above, it is possible to note that an enthusiastic, all accepting Czech consumer evolved into a difficult-to-please consumer in terms of the assortment offer and range, the quality, freshness, and other aspects. Customers ask for cutting-edge world brands and are willing to spend more. It applies to all population

groups, young people without a stable income and older adults (so-called silver economy). Consumers have still been using printed advertisements, such as leaflets; however, with the development of information and communication technologies, they have become “digital-oriented”. The current generation Z uses, and will be using, just various types of smart appliances which, somewhat paradoxically, help to abandon the previously preferred impulsive shopping style and force customers to plan more and think harder. As already mentioned above, shopping centre management must adapt their marketing strategies accordingly.

Previously, customers searched more, evaluated, and changed their favorite centers. Nowadays, they are more “loyal” to one or two centers; they got used to the advantages that suit them. Consumers tend to test new shopping centres; they are more conservative and, to some extent, they like comfort. Moreover, the range of loyalty programmes, discount cards, vouchers, and other benefits is expanding.

As mentioned above, digitalization, the Internet, online shopping, and smart technologies already have, or will have, an impact on functioning of Czech shopping centres. An advanced contemporary economy ensures a possibility to buy almost anything that the consumers need. Ordinary or “average” things will not have to be purchased just in a shopping centre; consumers can buy them in e-shops which have the added advantage of significantly lower operating costs. Traditional shopping centres will have to compete not only in quality but also in various specific and original activities and events, and last but not least, in the prices. We believe that people will not want to do their shopping only through technologies and smart intelligence; they will want to see the goods, touch them, or perhaps manufacture something by themselves, or at least take part in the process of manufacturing. Experience events such as “do it yourself workshops” (in particular, in the food segment) are beginning to enjoy high popularity.

The domestic shopping centres have succeeded in the European market, and currently, they are fully comparable with foreign shopping centres from Western Europe. Alternatively, they have specific and local specifics typical for the Czech environment. Here, however, we need to be aware of the economic possibilities or limits of the small population of the Czech Republic and small metropolitan areas (except for Brno). Local centers cannot be compared with large shopping centres in world cities, which are more like amusement parks.

People (consumers) in the Czech Republic accepted the shopping centres more than twenty years ago with uncritical enthusiasm. They became a phenomenon of the time and, in terms of economy, a very successful retail concept, and they have kept this status until now. Since 1997, when the first Shopping centre was opened – Černý most in Prague, only one shopping centre ceased in the Czech Republic (shopping centre Stodůlky in Prague). It happened in connection with the economic crisis of 2008–2011 and also its unfavorable position outside the Underground line. It was transformed into a furniture store (XXX Lutz and Möbelix). Two or three other shopping centres were pledged to banking institutions; however, they continue in their original activities. Large furniture retailers are typical tenants after a shopping centre has occupancy problems or loses its attractiveness (Kunc 2020).

2.6 Conclusions, trends, retail, and COVID-19 pandemic

Despite the withdrawal of some big players, Czech retail has remained quite fragmented. The eight largest foreign chains cover only 3/4 of the Czechs' spending on fast-moving consumer goods, in other words, food and drugstore goods. The more predatory chains, such as Lidl, are moving up, while the slower ones, such as Makro, Globus or Tesco, are going down by one or two levels. Even more fragmented is the situation in the market for small convenience stores, a trend of recent years. In comparison with developed markets, there is a strong competition in the Czech Republic. The top eight largest players elsewhere in the EU typically control over 80% of the market, and the real competition is between four to five key players. Experts believe that the above-average competition results are a great deal of rivalry between the chains, mainly on prices. More than 50% of the assortment is sold at discount sales in the Czech Republic, which means first position in Europe. Thus, with the exceptions of recent years (typically Lidl), competition is not about new ideas and innovation but rather about low prices.

A higher concentration of supranational chains cannot be expected on the Czech market in the coming years; one of the strong players would be forced to leave. Currently, however, no such entity could buy the "departing" chain without running into troubles with the antitrust authorities. If a new player came in and took over one of the chains, the concentration would not change. Tesco is said to be the biggest candidate to leave the Czech (Central European) market, but the management of this chain refuses to do so. In the last years, Tesco has improved its financial flows by selling its real estate in department stores or shopping centres in which its outlets are situated. It concentrates on its main scope of business, which is a successful sale of fast-moving goods and apparel under the F&F brand. On the other hand, Tesco belongs, together with Makro and Albert (Ahold chain), to the chains that have dropped a few levels in terms of sales over the last decade than Kaufland and Lidl.

The pandemic years of 2020 and 2021 had a great impact on retail; they could be a sort of (in)stability load test. Retailers or franchisees backed by multinational chains with extensive distribution networks and parallel e-commerce platforms had a better chance to survive. On the other hand, smaller domestic retailers relying on contact selling, some specialist stores and other units without a strong financial background experienced existential problems. The same applied, to some extent, to retailers based under one roof of an economically stable shopping centre; some of them were forced to leave the market. In terms of shopping centres, we have again encountered the situation (however, to a smaller extent), to which we have not been used to since the last global economic crisis (2008–2011) – shopping entities and areas covered with bars, an advertisement poster announcing the date when a new owner will open the store.

The pandemic state will substantially accelerate the expansion and increase the share of e-commerce in the total realised retail turnover – one-fifth share previously envisaged for the second half of the coming decade is likely to be reached in two or three years. According to the E-Commerce Association, the share of online shopping in the Czech

retail sales gained 16.2% in 2020, which was by 3.4 percentage points more than a year before and estimated to happen about three years later (RetailNews 2021b). Some entrepreneurs will permanently move to the online environment because they will not want to risk lower interest by customers after all restrictive measures are lifted. However, it is evident now that not all entrepreneurs will survive this situation; the market will experience regroupings, selections and (also positive) cleansing. Greater acceptance of online shopping platforms by the Czech population will also depend on the willingness of retailers to increase costs in response to ever-increasing consumer demands for convenience, speed, quality, and increasingly accentuated social relevance and economic sustainability.

However, despite the relatively unfavorable situation, the Czech society has no reason to abandon brick-and-mortar retail and its undeniable advantages. At the turn of 2019 and 2020, my colleagues and I conducted a survey among the youngest population, the so-called Generation Z. This survey among the young Czech population has thus become a kind of a milestone of the “old era”. It analysed their natural shopping behaviour before the economy and the stores were closed, and the associated “forced preference” for online forms of shopping. Since the spring of 2020, a whole new era has opened, and it will undoubtedly be interesting to observe and compare it with the pre-COVID-19 period.

In a sample of more than 2,000 respondents across the country, we found (rather surprisingly) that when young people were deciding between a brick-and-mortar store in a shopping centre, department store and online shopping (by the way – half of them deal with this situation currently/spontaneously, which is typical of them), the popularity of the brick-and-mortar store prevailed significantly. Therefore, we believe that once the restrictive measures are gone, all generations will return to shopping centres and brick-and-mortar stores, which will also be supported by off-season post-crisis sales, discounts, promotions, and other activities. However, corridors in shopping centres were not crowded immediately after the opening in summer 2020. People were afraid of closed premises, despite the reassurances by the shopping centre management about the quality of preventive measures, hygiene, and air ventilation. Moreover, they will be discouraged by many hygienic restrictions (wearing face masks, hands sanitization, limited possibility to try selected assortment, and so on), which will make a shopping centre visit an unpleasant activity. We believe that everything will be all right in this respect in 2022.

Large and thriving shopping centres of the supranational (or regional) importance that have already been a phenomenon of the local retail for two decades, and function as economic units, will overcome the situation, despite the numerous necessities to pay up their liabilities, to the banks, for example. The situation will be similar with hypermarkets (including those with galleries) and most supermarkets where the sale of goods and everyday staff prevails. A different situation will be with tenants – consumers will find some stores in a completely different economic condition than they used to be before 2020, or they will not find them at all. Thus, in the future, we may expect a transformation of some declining shopping centres to offices, public infrastructure, multifunctional zones, or perhaps exhibition and convention centers in the Czech Republic.

As for the rural area stores, until recently, they have served as a main place of shopping for several, mostly older, customers. However, during the last (pandemic) year, everything changed. The rural areas' inhabitants started to use their local stores more frequently. These outlets are now being reconstructed, moved to more suitable spaces, and they expand their services. Moreover, they have often become the only social center in smaller villages. The covid-related situation has pointed at the main problems of the retail in rural areas. Most rural areas' inhabitants commute to school and work to large cities where they make most of their shopping.

Small rural area stores offer only a limited range of goods, mainly due to their size and few customers. Nevertheless, stores in small towns and villages are being modernised and kept in operation. The changes aim to increase customer convenience, for example, by installing self-service systems and saving energy by installing solar panels or better insulation. One way to make older stores more attractive is through re-modelling. It helps to increase the cost-effectiveness of the overall operation. Ideally, retail in rural areas should be subsidy-free. Unfortunately, it is uneconomic to operate food outlets in villages of less than 1,000 inhabitants, and if such a service is to be maintained, it must also be financially supported. The long-term effort of the Association of Czech Traditional Trade is to involve the state in this support, which should be done through the Obchůdek 2021+ project (idnes 2021).

People felt intensively the need for the services provided by local stores just in the lockdown. Frequently, the missing social contact was realised in the stores. In the future, the stores should focus more on online platforms, be it e-shops, outlets for other online shops or other services such as Pošta Partner. Currently, some village stores already offer cashback services supplying the missing cash machines. Stores should also provide a center for municipalities and local communities; they should partner with local and regional grocery producers, farmers, or greengrocers. Cooperative stores purchase about 40–50% of the assortment right in their regions. Thanks to the development of local stores and national networks, important local economies and jobs in rural areas emerge. The environment aspect is also crucial – support of short chains – within the European strategy “From Farm to Fork”. Thus, local products become a competitive advantage of small stores.

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THE TRANSFORMATION OF SLOVAK RETAIL

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The retail sector could not avoid the major social and economic transformations that the post-socialist countries underwent in the 1990s (Garb and Dybicz 2006; Kok 2007; Krásny 1992; Križan et al. 2016; Michalak 2001; Mitříková et al. 2021; Sikos T. 2019). The most important of these were the democratisation of society and the transition to a market economy. As Kshteri has concluded (2009, pp. 236–237), the communist countries transition to a market economy was a difficult experience for their economies. The reason was the non-existence of suitable political, legal, economic and commercial structures for a free market economy and the difficulty of creating them. The transition from a centrally planned economy to a market economy is a complicated process for every industry. Retail can be considered a rapidly transforming sector of the economy where it is possible to document transformational trends and globalisation processes (Križan et al. 2019; Maryáš et al. 2014; Simová 2010; Spilková 2003). The speed with which retail was transformed and the manifestation of globalisation processes was not always uniform depending on the political and economic situation in the state (region).

The post-socialist transformation after 1989 has evidently been the most significant change in the Slovak retail sector in the last 50 years (Krásny 1992). It involved both structural and functional change (Bednář 2005; Szczyrba 2005a) such that retail completely changed its character to an extent that could be called a complete transformation (Smith 1996). It must also be noted that retail also underwent major changes in the post-war period. After these radical changes, retail in Slovakia became unified. It continued practically unaltered in its operation for several decades. Only the political and economic transformation of society after 1989 brought new conditions to the country's economy including the retail sector (Drtina 1995; Krásny 1992; Križan et al. 2016; Mitříková 2008; Seitz 1992; Spilková 2008; Trembošová 2012) and consumer behaviour (Kunc et al. 2012; Nagy 2001; Spilková 2003, 2012b; Trembošová et al. 2021).

The aim of this chapter is to evaluate the transformative changes in retail in consumption in terms of their manifestations in time and space. An analysis of the transformation corresponds to a comparison of retail on the national level over the last 30 years. To clarify the broader context surrounding the transformation of retail and consumption in the post-socialist landscape, the first part describes the basic characteristics of retail's transformation in Slovakia with an emphasis on the ongoing stages of transformation: the communist era, the transformation era and the era of intensive manifestation of globalisation processes.

3.1 Stages in the transformation of retail

The trends in the development of Slovak retail have been significantly influenced by the political and economic conditions in the country. The transformation of Slovak retail

occurred in several waves (Križan et al. 2016), as it did in the other countries of Central and Eastern Europe. This transformation began, for Slovakia the same as for other post-socialist countries, between 1989 and 1991. There are many differences between the ways that countries experienced the new waves of development in retail during the transformation. Some countries began to experience globalisation trends in 1996 while others only from 2002 (Dries et al. 2004). It is possible to distinguish three stages in the transformation of retail in the post-socialist countries: (i) the stage of communism, (ii) the stage of transition, (iii) the stage of globalisation. At each stage, retail had several distinctive characteristics (Tab. 3.1). In terms of the evaluation of the transformation stages, Slovakia ranks alongside countries like Czechia, Hungary and Poland. On the other hand, it is possible to identify some delay in the onset of globalisation trends travelling from west to east (Szczyrba 2005a).

Tab. 3.1: Key features of the three stages of retail transformation

<i>Characteristics</i>	<i>Communism</i>	<i>The stage of transition</i>	<i>The stage of globalisation</i>
<i>Concentration in retail sector</i>	<i>High</i>	<i>Low</i>	<i>High</i>
<i>Dominant source of capital</i>	<i>Domestic</i>	<i>Domestic</i>	<i>Foreign</i>
<i>Foreign investment</i>	<i>-</i>	<i>Brownfield</i>	<i>Greenfield</i>
<i>Share of modern retail</i>	<i>Low</i>	<i>Low</i>	<i>High</i>
<i>Share of large multinationals</i>	<i>Low</i>	<i>Low</i>	<i>High</i>
<i>Location of modern retail outlets</i>	<i>-</i>	<i>Cities</i>	<i>Everywhere</i>

Source: Dries et al. (2004)

3.1.1 Retail in Slovakia during the communist era

In the post-war period (after World War II), Slovakia had a fragmented retail network where most stores had individual owners and an uneven spatial distribution. A significant moment was the change in ownership structures after 1948, before which the private sector predominated and after which retail was nationalised and brought under government control. While in 1948, the private sector owned 88% of stores, that share was subsequently reduced to nearly 25% in 1949, 9% in 1950 and zero in 1960 (Očovský 1976). Slovakia (as part of Czechoslovakia) had a typical model of centralised/state ownership of retail (Dries et al. 2004). In the countryside it was more common to find retail cooperatives, which operated under the control of the Jednota organisation. Another important element in the development of retail was the implementation of uniform prices, which de facto eliminated competition in retail. It gradually built up a retail network which was supplemented in the countryside by itinerant sales and a revival of the tradition of organising markets (Križan et al. 2016). In towns, there was a tendency to concentrate retail in centrally located department stores (Prior).

Tab. 3.2: Selected characteristics of the retail network in Slovakia (1955–1990)

Indicator/Year	1955	1960	1965	1970	1975	1980	1985	1989	1990
Retail network in general	17,197	16,608	16,782	17,485	18,560	18,831	18,837	18,840	18,523
of this									
Grocery stores	5,538	6,403	6,633	7,445	8,353	8,428	8,252	8,092	7,916
Mixed stores	3,743	2,858	2,683	2,822	2,873	2,722	2,837	2,843	2,836
Non-food stores	5,388	6,396	6,219	6,242	5,924	5,764	5,703	5,609	5,485
Department stores and shopping centres	30	23	48	97	150	217	325	367	372

Source: Statistical office of Slovak Republic

The retail network consisting of around 17,000 to 18,000 stores remained practically unchanged for three decades from the 1960s. Grocery stores made up the largest share of the retail network in the 1980s (Tab. 3.2). In the late 1950s and early 1960s there was a decrease in retail capacity linked to the deliberate reorganisation of the retail network (Mitríková 2017). The aim was to close small stores that were not up to standard and replace them with combined, modern stores. In this period, department stores increased more than 10-fold at the expense of general merchandise and non-food stores. In spite of this, the number of retail stores remained almost unchanged, which points to concentration in retail (at the expense of grocery and non-food stores). It can be concluded that the retail network did not have enough stores of sufficient capacity and thus failed to provide adequate purchasing opportunities (Očovský 1974).

Compared to the mature European economies, retail in Slovakia (as part of Czechoslovakia) was underdeveloped and critically assessed in several aspects (Krásný 1992):

- The density of the retail network (in terms of the number of stores per 1,000 inhabitants) was very low (around half the average of Western Europe). The limited variety of stores in larger towns was especially noteworthy.
- Retail capacity (sales area per 1,000 inhabitants) was also very low (around a quarter of the level in many Western European countries). The delivery of goods to stores, especially non-food goods, was significantly limited.
- The unfavourable conditions in retail indicated by the values for retail density and capacity led to structural deficiencies manifested by the limited presence of stores carrying non-food lines, the absence of large stores reflecting modern trends and significant differences in the function of retail on the local and regional level in terms of the satisfaction of consumer demand.

The size structure of retail stores in terms of the size of the sales area indicates a significant predominance of small stores (Tab. 3.3). More than 90% of all grocery stores had a sales area of less than 100 m². Non-food stores had larger sales areas. Nearly all department stores had a sales area larger than 150 m².

Tab. 3.3: The size of the sales area of retail stores in Slovakia in 1960

<i>Indicator</i>	<i>Share of stores with sales area in m²</i>				
	<i>up to 40</i>	<i>41–70</i>	<i>71–100</i>	<i>101–150</i>	<i>over 150</i>
<i>Grocery stores</i>	72.3	20.9	4.6	1.6	0.6
<i>Mixed stores</i>	67.6	27.2	3.8	1.1	0.2
<i>Non-food stores</i>	52.6	26.8	7.9	3.4	9.3

Source: Statistical office of Slovak Republic

New shopping trends did gradually penetrate into Slovak retail but with significant delays. The first self-service stores were opened in 1958. In 1970, 18% of all stores were self-service, mainly those with general merchandise (Očovský 1974). The importance of retail in the country's economy increased continuously. During this period, stores such as ASO,

TETA, Brouk and Babka opened as the first department stores with uniform prices, leading to growth of the sector but also greater concentration and a less even spatial distribution. Retail became concentrated in towns, which also served the rural community.

One of the best-known retail brands was Prior. The first Prior in Bratislava opened on November 1968. The archives of the press agency TASR report that “The crowds pressed in so tightly that the organisers called in the army. Four army trucks came and opened a corridor to the entrance.” On its opening day, the store received 40,000 visitors (vtedy.sk). This points to changing consumption patterns not just in the urban population.

Most of the goods available in retail were produced domestically or in other communist countries. Some specialist stores were available, however. An example is the opening of the Bulgarian store Vitoša in Bratislava in 1972 or the specialised store Orient (1969). Another way to purchase foreign goods was the Tuzex chain of stores, which was launched in Slovakia in 1957. Tuzex built on an earlier chain, Darex, which had operated from 1949. Similar retail networks existed in other communist countries. In the USSR there was Berjozka, in the GDR Intershop, in Hungary Intertourist and in Poland Pewex. In the socialist era these stores were the only places where it was possible to buy Western electronics, food, cars, clothing or cosmetics. Shopping at Tuzex was cheaper than importing from abroad because the state supported the retail network by adjusting customs duties (vtedy.sk).

From a spatial point of view, retail was highly concentrated in towns and larger villages. The rural retail network had several distinctive features which still persist to some extent (Szczyrba 2005b):

- satisfaction of local, low-concentration demand;
- provides for only a part of the demand of the rural population because of the catchment area of towns, which does not create conditions for an effective product range;
- the above factors mean that generating revenues in rural retail involves higher operating costs compared to an urban network.

The rural retail network in Slovakia (as part of Czechoslovakia) during communism provided a relatively good level of amenities in comparison with the countries of Western Europe. Nearly every small rural village had its own general store and from the 1960s cooperative department stores began to appear in larger villages (Fig. 3.1). The sphere of operation of cooperatives and state stores were separate from 1952. The state stores would supply goods to the towns and larger industrial communities. Cooperatives organised under the Jednota organisation focused their activities on rural communities. The product range offered depended on the capacity of a given department store. A distinction was made between small department stores (up to 400 m² of sales area) and large stores (with over 400 m² of sales area). In general, rural retail depended on the activities of consumer cooperatives, which were centrally controlled. In less populous areas, retail stores were supplemented by ambulant retail (Očovský 1974; Szczyrba 2005b).

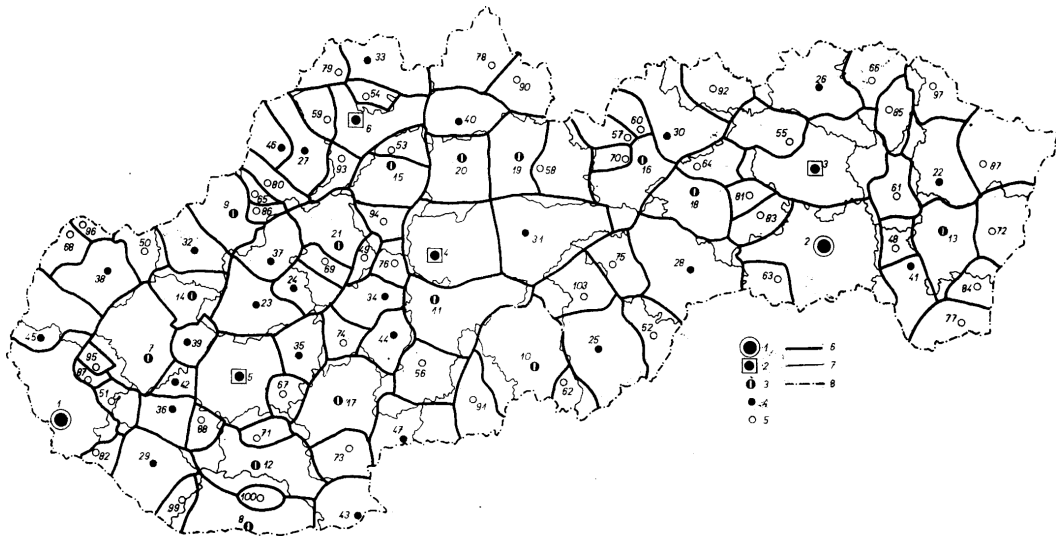


Fig. 3.1: Retail concentration in Slovakia in 1970

Explanation: 1 – Centres of I. category; 2 – Centres of II. category; 3 – Centres of III. category; 4 – Centres of IV. category; 5 – Centres of V. category; 6 – Borders of catchment areas; 7 – District borders; 8 – State borders

Source: Očovský (1973)

3.1.2 Retail in Slovakia during the transition era

Radical change in retail began after 1989, as the economy transitioned from central planning to a market. Krásný (1992) called the period from the foundation of the centrally planned economy to 1989 a long and stressful journey from capitalism to capitalism. The transformation stage that began in 1989 was a qualitatively different period in the evolution of Slovak retail. The transformation was mainly in organisation and ownership, due to the decentralisation, deconcentration and privatisation of retail. Various forms of ownership underwent privatisation and transformation processes supported by a new regulatory environment and different macroeconomic conditions related to currency stabilisation, price liberalisation, taxation, employment, liberalisation of foreign trade and a variety of legislation (Krásný 1992; Simová 2010; Taylor 2001). Liberalisation of the price of goods resulted in a reduction in consumption and the development of retail as such. An example is the sharp jump in prices by 32% in a single day on 1 January 1991 (Drtina 1995).

The change in the forms of ownership in the economy (retail) reflected the restitution of property to its original owners, the entry of new businesses into the economy and the transfer of state property to private owners through privatisation (cf. Brada 1996; Ovaska and Sobel 2005). The privatisation of state property was under “small-scale” and “large-scale” privatisation rules (cf. Kotrba and Svejnar 1994). The development of retail was significantly affected by “coupon” privatisation, which took place in two

rounds (Baláž 1996a). It involved the purchase of books of coupons with investment points that could be used to bid for shares in privatised companies.

While there were radical changes in organisation and ownership, there was less alteration in the physical structure of retail stores. This was a result of the slow-moving pace of change from the previous period. Thousands of new retail stores were established. Large stores were created mainly by reconstructing warehouses, renovating old stores that had been shut down or making use of space on the ground floors of blocks of flats. The absolute increase in the number of food stores is linked to increasing demand compared to the non-food sector as well as certain legislative measures. The average sales area in stores remained around 90 m² (Drtina 1995). The development of large stores was impeded by domestic entrepreneurs' lack of capital and such stores appeared only as retail became international. The retail sector underwent a major transformation in the new social and economic conditions after 1989 and in a relatively short time several aspects of it began to be affected by the emergence of globalisation in retail (cf. Kunc et al. 2012b). Retail's transformation stage can be delimited as the decade from 1989 to the opening of Slovakia's first hypermarket, a manifestation of retail globalisation, in 1999 (Križan and Lauko 2014).

The distinguishing characteristic of Slovak retail in this period is a process of atomisation. Retail atomisation differed from country to country in terms of its intensity and the length of the transition to globalisation processes (Szczyrba 2010). As a result of the privatisation and restructuring processes, a large number of commercial enterprises were founded while many of the existing large retail organisations were liquidated and new branches were created only slowly. The spatial and organisational effect of this atomisation was fragmentation of retail with signs of decentralisation and deconcentration in a retail network that was evidently breaking up. There was an increase in the number of organisations operating in retail and services and a corresponding increase in the number of employees in the sector (Mitríková 2008). Foreign retail chains took almost no part in the transformation of the retail network in the atomisation period. The development of retail and its transformation was financed by domestic private capital and was affected by the transformation processes linked to the disintegration of domestic state and cooperative trade organisations.

In general, the structure of business concepts in operation in the Slovak market in the atomisation period can be described as unsatisfactory. The main retail concept in the Slovak market in this period was a small self-service store, or a traditional over-the-counter or mixed grocery store. General merchandise was sold in department stores while specialised products were sold either in a small specialised store or a general store (Mitríková 2008; Maryáš et al. 2014). Another model of retail activity operated through market stalls run mainly by traders of Asian origin (Williams and Baláž 2005).

The atomisation of retail led to an increase in the number of stores and a decrease in the number of inhabitants per store. Sales area grew rapidly, which increased the area standard. This was accompanied by a decrease in the service standard in terms of the number of inhabitants per worker in retail. Atomisation also manifested itself in wholesale, where

there was similar growth of number of subjects. In Slovakia there were 450 companies registered in 1990 and this number increased to 19,500 in 1993. At the end of 1992, more than two thirds of sales were in companies with fewer than 25 employees (Drtina 1995). While the public sector dominated retail sales in Slovakia in 1990, the private sector had a strong preponderance from 1992 (Tab. 3.4) as a result of retail's atomisation. In 1990 the public sector accounted for 71% of retail sales and this percentage had fallen to 3% by 1998. It must be noted that the private sector was almost entirely domestically owned. Tesco was one of the first foreign companies to enter the Slovak retail market when it purchased the former Prior department stores in 1996.

Tab. 3.4: Retail sale in Slovakia by type of ownership in 1990-1998 (in millions of SKK)

<i>Indicator/ Year</i>	<i>1990</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>	<i>1994</i>	<i>1995</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>
<i>Public sector</i>	85,723	61,179	39,740	38,561	26,902	21,783	16,032	13,628	12,056
<i>Private sector</i>	34,532	59,030	110,580	163,566	206,942	240,321	280,451	315,202	367,336

Source: Statistical office of Slovak Republic

Atomisation is a process in which small stores are the main format for retail. It can be considered an important process in the initial stage of retail transformation in the post-socialist countries. Atomisation is also a transitional phase in the development of retail from a centrally planned and isolated model to a model marked by dynamic expressions of globalisation as retail becomes integrated into international systems (Križan et al. 2016). One of the characteristic features of the evolution of retail in Slovakia was the decline of (cooperative) department stores and the rise of supermarkets as a new format for shopping. The decline of department stores was most evident in rural communities. The consequences of this included an increase in the public's use of cars and a tendency for towns with enlarged shopping zones to take over business from even relatively remote rural communities.

As a result of the increase in the number of stores in the Slovak (Czechoslovak) retail network, consumers began to adopt Western models of shopping behaviour. This included an increase in consumers' positive appreciation of the quality of services offered in retail. While in 1990 only 10% of households said that they were satisfied with retail facilities, two years later 67% of households were satisfied. Consumers began to take greater interest in the quality of goods and the pleasant and professional delivery of services. A wide range of merchandise and low prices also became important factors in retail (Drtina 1995).

3.1.3 Retail in Slovakia during the globalisation era

Not long after the transition from a centrally planned economy to a market economy, Slovak retail naturally began to feel the effects of the forces of globalisation including internationalisation, concentration and cooperation (Fertaľová and Szczyrba 2006; Kita 2008, Križan 2009). Due to the specific character of the Slovak economy, internationalisation became an intensive influence in Slovak retail only after the post-1989 transition to a market economy (Drtina 1995; Krásný 1992). It must be noted that before 1939 international retail companies had operated in the Czechoslovakia – Julius Meinl of Vienna, for example – but their stores were either destroyed in World War II, taken over by local owners after the war or confiscated by the state during socialism (Dawson 1994). Many international companies have established themselves in the internal markets of post-socialist countries and this trend has continued through the second half of the 1990s (Knežević et al. 2014) to the present day.

Globalisation was manifested in retail in Slovakia in three different perspectives (cf. Spilková 2008, pp. 157–158):

- the internationalisation and globalisation of retail and retailers' practices through the prism of ownership and organisation structure;
- trends towards concentration in the spatial organisation of retail, rapid growth in the number of large-format stores and vehement adoption of foreign trends;
- globalisation of consumer purchasing behaviour and changes in shopping styles reflecting preferences for changed shopping locations.

In the first half of the 1990s, retail in Slovakia was dominated mainly by domestic companies. Thereafter, it is possible to observe the emergence of significant international companies. It must be noted that international companies entered Slovakia later than the neighbouring countries. At the start of the 1990s, the country had only one foreign retailer, which had privatised the Prior chain of department stores (seven of which were in Slovakia). More intensive penetration of foreign retail chains into the Slovak market took place after 2000 (Tab. 3.5). One of the reasons was the political and economic situation in the country. The internationalisation of Slovak retail can be measured using the ranking of the top retailers by turnover. While the TOP 10 retailers of 1996 included 4 international companies, their number increased to 8 in 2006. After 2006, the table does not include the domestic chain COOP Jednota Slovensko, which does not provide data for the whole company because of its complex ownership structure.

The transformation of retail in towns in Slovakia can be documented by tracking the numbers of grocery stores and non-food stores from 1994 to 2005. The first date is before the expansion of large retail stores (supermarkets and hypermarkets) while the latter is in that period of expansion. In 1995 Slovak towns had an average of 3.3 grocery stores per 1,000 inhabitants, which increased to 3.7 stores per 1,000 inhabitants in 2004. Higher values for this indicator can be observed in the east of Slovakia. This area saw the largest growth in the ratio of store numbers to inhabitants between 1995 and 2004 (Fig. 3.2). In contrast, there was a decrease in the number of inhabitants per store in the

hinterland of population centres. the average difference in the indicator for the number of stores per 1,000 inhabitants between 2004 and 1995 had a positive value (0.4). From a spatial point of view, the areas affected were mainly towns with smaller populations or towns at a distance from the centres of commerce. As larger stores (supermarkets and hypermarkets) were opened, the concentration of food retail in Slovak towns was manifested as a decrease in the number of grocery stores or a more gradual increase in the context of increased consumption. The opposite trend can be observed in the case of non-food stores, where growth between the studied years results in an average of 2.7 stores per 1,000 urban inhabitants and 86% of towns recorded an increase in the indicator. For comparison, the indicator increased in the case of food stores in 56% of towns in Slovakia.

Tab. 3.5: TOP 10 retail companies in Slovakia in 1996 and 2006

1996	Company	Turnover in billions SKK	No. of shops	2006	Company	Turnover in billions SKK	No. of shops
	<i>Tesco</i>				<i>Tesco Stores</i>		
1	Stores SR*	3.8	7	1	SR*	24.5	48
	<i>Prima Zdroj</i>				<i>Metro Cash&-</i>		
2	Holding	3.3	46	2	Carry Slovakia*	17.4	5
	<i>Zdroj</i>				<i>Billa*</i>		
3	Univers	1.3	56	3		12.2	89
	<i>OD Prior</i>				<i>Kaufland SK*</i>		
4	Stred*	1.2	9	4		9.8	28
	<i>ATVE</i>				<i>Ahol Retail</i>		
5		1.1	15	5	Slovakia*	7.4	25
	<i>Pecom</i>				<i>NAY*</i>		
6	Group*	1.1	6	6		5.0	18
	<i>Sintra</i>				<i>CBA SK</i>		
7		1.1	17	7		4.8	242
	<i>Adut</i>				<i>Carrefour</i>		
8		1.1	14	8	Slovensko*	4.5	4
	<i>Kon-rad</i>				<i>Lidl SR*</i>		
9		1.0	1	9		4.0	75
	<i>DDK</i>				<i>Labas</i>		
10	Slovakia*	1.0	1	10		3.7	3

Note: * foreign company

Source: Statistical office of Slovak Republic

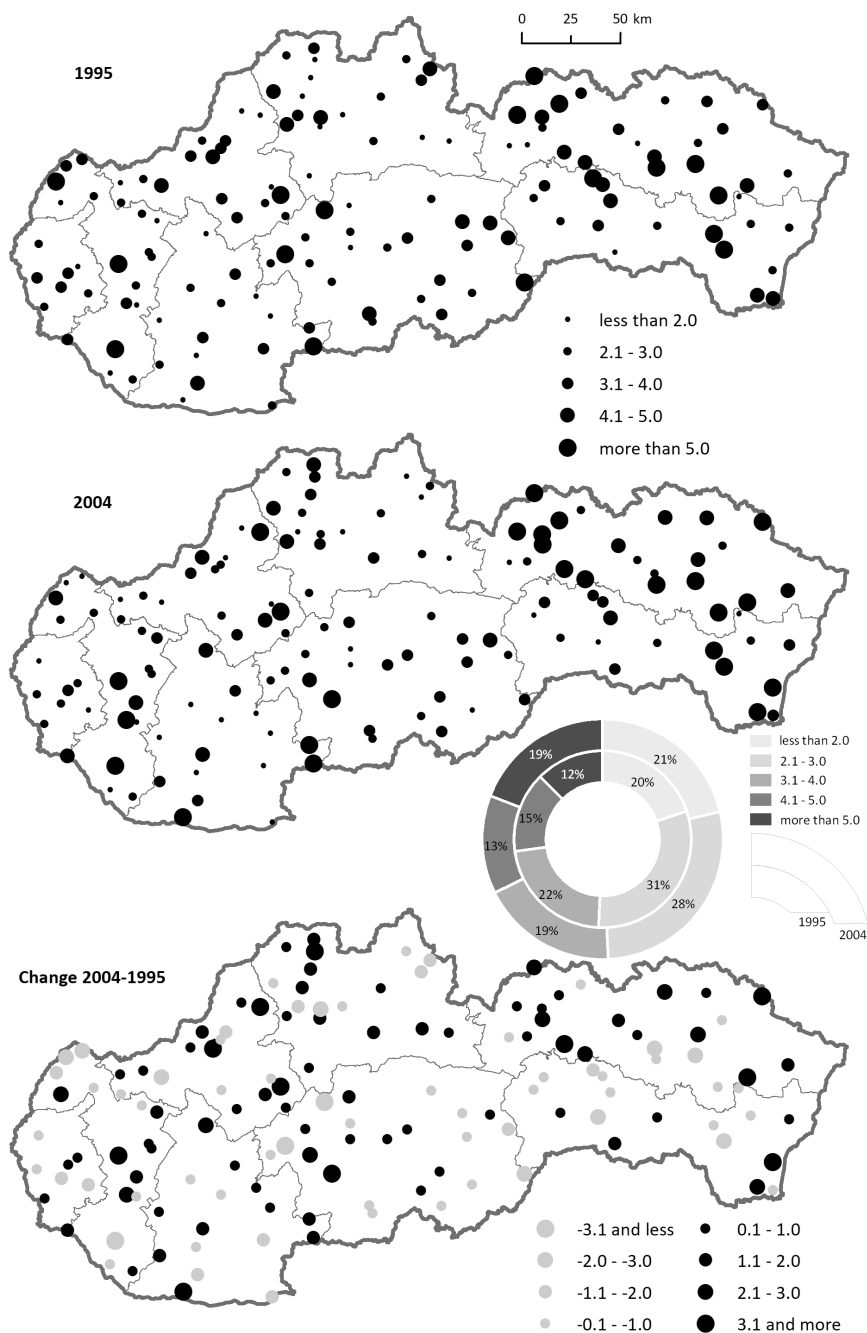


Fig. 3.2: Change in the number of grocery stores per 1000 inhabitants for selected cities in Slovakia in 1995 and 2004

Source: Statistical office of Slovak Republic, own processing

Concentration in retail is linked mainly to the construction of large stores and the entry of international retail chains into the domestic market. An analysis of international retail chains indicates the existence of four evolution stages (cf. Križan et al. 2016; Szczyrba 2005a):

- dynamic development of supermarkets (from 1996);
- dynamic development of hypermarkets (from 1999);
- dynamic development of shopping centres (from 2000);
- dynamic development of discount stores (from 2004).

The stage of dynamic development of supermarkets could also be called the “supermarket revolution” because it involved a “meteoric” increase in the number of supermarkets (Reardon and Hopkins 2006). All these stages are characterised by progress over time. The number of stores in the given format increased each year. In 2012 there were 601 supermarkets in Slovakia, mainly in towns. Development trends also show an increase in the proportion of supermarkets in rural communities. While in 2001 the percentage of Slovak supermarkets located in rural areas was 12%, in 2012 it had increased to 28%. It is also possible to observe a trend towards building supermarkets in towns with smaller populations (Bilková and Križan 2015). In the last 20 years sales area in supermarkets has increased more than 15-fold (Tab. 3.6). The popularity of supermarkets amongst consumers’ preferred store type for shopping has remained around 25% (Kita et al. 2017). Billa operates one of the largest networks of supermarkets, with over 150 stores in Slovakia in 2018. The expansion of supermarkets in recent years has been boosted by a change in the shopping formats established in shopping centres. While the initial trend was to install mainly hypermarkets in shopping centres, these are now being replaced by supermarkets, especially from the Billa chain. COOP Jednota still operates more than 100 supermarkets in Slovakia.

Tab. 3.6: Retail network of large enterprises with 20 and more employees in Slovak republic

<i>Indicator/Year</i>	<i>1995</i>	<i>2000</i>	<i>2005</i>	<i>2010</i>	<i>2015</i>	<i>2017</i>
<i>Retail network in general</i>	<i>778,023</i>	<i>861,704</i>	<i>1,682,162</i>	<i>2,637,430</i>	<i>3,329,288</i>	<i>3,524,469</i>
<i>of this</i>						
<i>Department stores</i>	<i>111,883</i>	<i>73,910</i>	<i>70,800</i>	<i>68,622</i>	<i>332,731</i>	<i>486,523</i>
<i>Shopping centres</i>	<i>30,625</i>	<i>5,624</i>	<i>3,166</i>	<i>3,185</i>	<i>31,376</i>	<i>57,116</i>
<i>Hypermarkets</i>	<i>-</i>	<i>94,701</i>	<i>437,339</i>	<i>572,613</i>	<i>642,875</i>	<i>279,859</i>
<i>Mixed stores</i>	<i>180,156</i>	<i>126,114</i>	<i>140,652</i>	<i>135,301</i>	<i>136,303</i>	<i>129,189</i>
<i>Supermarkets</i>	<i>27,503</i>	<i>104,449</i>	<i>245,518</i>	<i>399,653</i>	<i>464,145</i>	<i>504,426</i>

Source: Statistical office of Slovak Republic

The first hypermarket in Slovakia was a Tesco hypermarket opened in Nitra (in 1999). Two years later there were already 22 hypermarkets in Slovakia and by 2012 they had increased to 154 in number, with an annual growth rate of over 10% (Tab. 3.7). The

intensive development of hypermarket formats results from their popularity as the main venue for shopping, where more than a quarter of all purchases are made (Fig. 3.3). There is a continuing trend for this format to move into the suburban zones of larger towns while less than 10% of hypermarkets are in rural areas. Another factor affecting the development of this format in rural areas is the construction of retail parks including a hypermarket within the cadastral territory of a rural village as part of a process of commercial suburbanisation (cf. Šveda and Križan 2012).

Tab. 3.7: Structural development of retail trade in Slovakia (1998–2002)

<i>Format/Year</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
<i>Supermarkets</i>	196	207	222	238	255
<i>Hypermarkets</i>	0	2	8	13	49
<i>Discounts</i>	42	55	59	72	49
<i>Shopping centres</i>	0	0	2	5	7

Source: Statistical office of Slovak Republic

Consumers in Slovakia show a strong preference for large retail stores in the form of supermarkets and hypermarkets (Kita et al. 2014, 2019) (Fig. 3.3). Research by the GfK agency indicates that households go shopping in supermarkets and discount stores more often and for larger purchases than in the past. Supermarkets are typically used for larger, supplementary purchases of fresh merchandise and restocking purchases, which have experienced further growth in Slovakia in this format. Discount stores in turn are strengthening their position in large restocking purchases in both countries. Households are thus transferring their larger purchases to smaller modern formats away from hypermarkets. Even so, more than a quarter of consumers shop in hypermarkets. More than half of consumers shop in hypermarkets and supermarkets. This trend has long been stable and it will probably continue in future in terms of the retail life cycle. Discount stores are continuing to grow their market share at the expense of small and specialised stores. This is often known as the “Lidl effect” based on the retail chain whose network is continuously expanding and increasing its popularity. The reason is the placement of stores close to consumers, who shop often and in large volumes.

The dynamic development of discount store networks began in 2004 with the massive spatial expansion of Lidl stores (Fig. 3.4), though Nitrazdroj launched its chain of discount stores in the Slovak market earlier. Lidl has built a strong position in the Slovak market, having featured in the TOP 10 retailers of general merchandise in Slovakia since 2005. This phase in the transformation of retail arrived significantly later than it did in Czech Republic (Kunc et al. 2013). The dynamic development of discount stores was long dominated by just a few companies (Lidl, Nitrazdroj, CBA). The Slovak market is less interesting for other discount chains. A change came in 2013 when Pepco was launched as a new chain of non-food discount stores. While discount stores were the preferred store type of just 6% of consumers in 2006, this percentage had increased to 16% in 2019 (according to research by GfK).

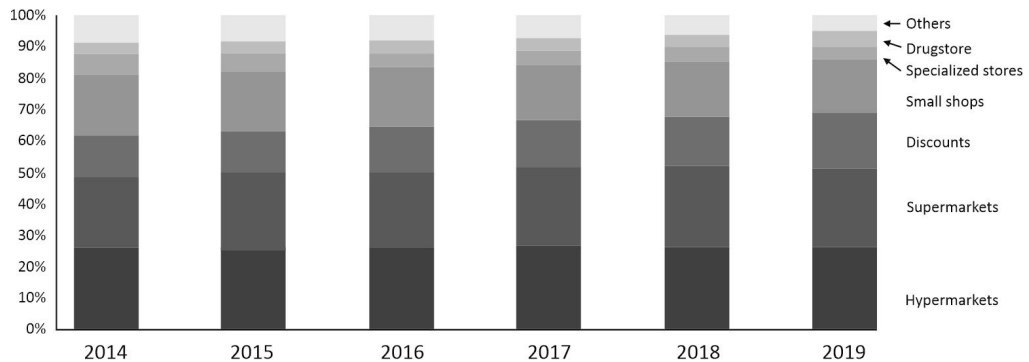


Fig. 3.3: Preferred types of stores (main place of purchase) among consumers in Slovakia in 2014–2018

Source: GfK

Shopping centres are one of the most popular shopping formats all over Europe. Polus City Center became Slovakia's first shopping centre when it opened in 2000 (Bratislava). Since then, the construction of shopping centres has advanced dynamically. The development of shopping centres in Slovakia can be divided into three stages (Križan et al. 2017). The first, initial stage is associated with the opening of the first shopping centres before 2003. This first phase of shopping centre construction was less intensive than those that would follow. Only 13% of Slovakia's current shopping centres were opened before 2003. The second stage in the development of shopping centres (2003–2009) shows an increase in construction culminating in 2008 and then a gradual tailing off in 2009. This stage can be described as an intensive period of development for shopping centres because 28 opened in the years 2004–2009, which is 51% of all the shopping centres in Slovakia. The third stage of shopping centre construction is characterised by a decrease in the construction of new shopping centres probably caused by the global economic crisis, though its effect had a delayed onset, first manifesting in 2011. Several projects were halted or changed owner, size or character. As a consequence, no shopping centre was built in Slovakia in 2013 (or 2016). This does not mean that no large retail stores of a type other than shopping centres opened in Slovakia. A strong trend in recent times has been the development of various designs of retail centres and shopping promenades, especially in smaller towns. Examples of these retail concepts include OC Kocka, Big Box and STOP SHOP. During the last stage of development, 36% of Slovakia's current shopping centres were opened.

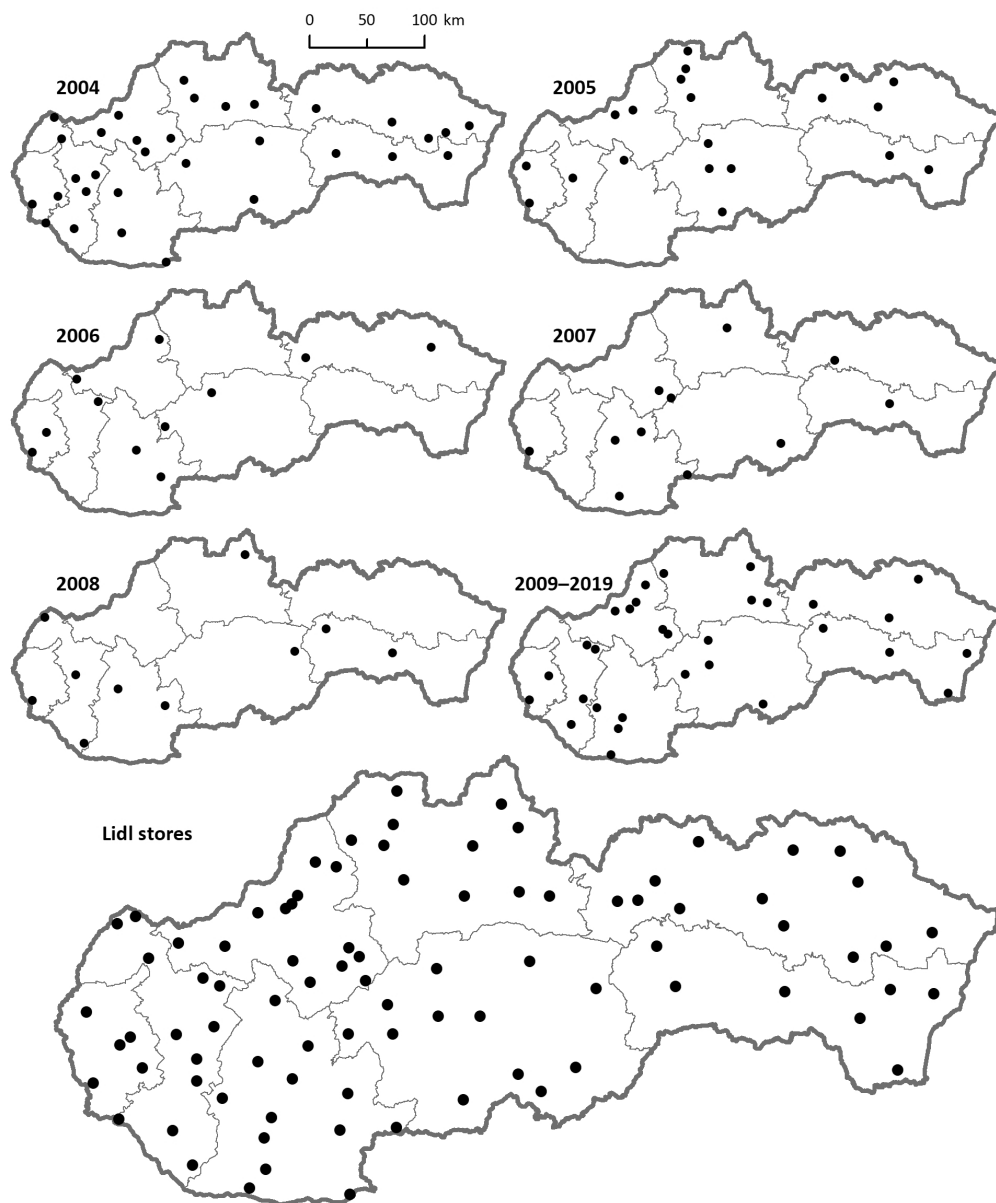


Fig. 3.4: Development of the Lidl discount network in Slovakia in the years 2004–2019
Source: Lidl Slovakia, own processing

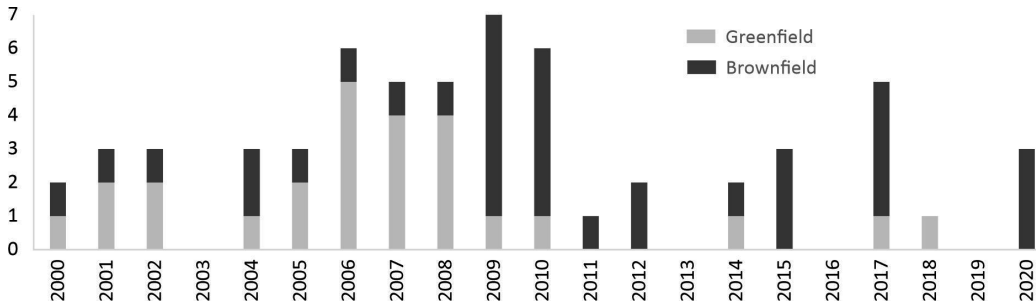


Fig. 3.5: Development of the number of newly opened shopping centres in Slovakia in the years 2000–2018 by genesis

Source: own processing

Shopping centres can be classified according to various criteria (Križan et al. 2017): (i) genesis, (ii) location, (iii) size of gross leasable area. In general, the development of shopping centres has been distributed evenly between greenfield and brownfield sites with a trend towards increasing numbers of brownfield sites (Fig. 3.5). In Slovakia, the predominant location for shopping centres is on the out of towns (in the suburbs) and the least numerous group is shopping centres located in town centres (Fig. 3.6). As regards gross leasable areas, the first shopping centres built in Slovakia were large. Since then, however, the trend has been towards smaller shopping centres (Fig. 3.7). More than half of shopping centres are classed as small shopping centres. Shopping centres with gross leasable areas up to 40,000 m² make up more than 90 % of this format in Slovakia. The average gross leasable area of shopping centres in Slovakia is 21,300 m².

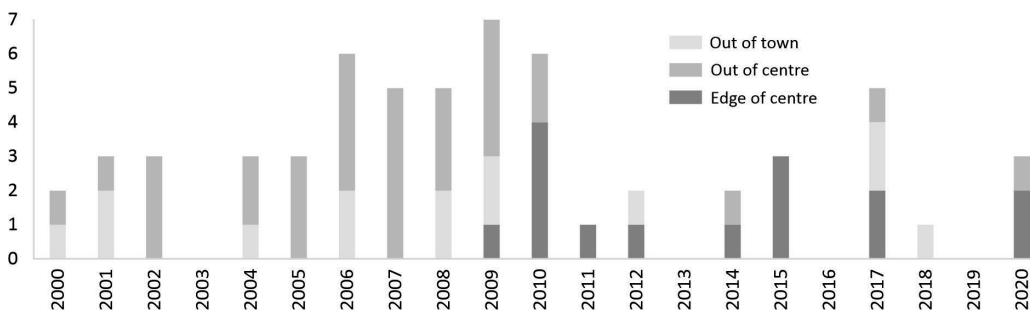


Fig. 3.6: Development of the number of newly opened shopping centres in Slovakia in the years 2000–2018 by location

Source: own processing

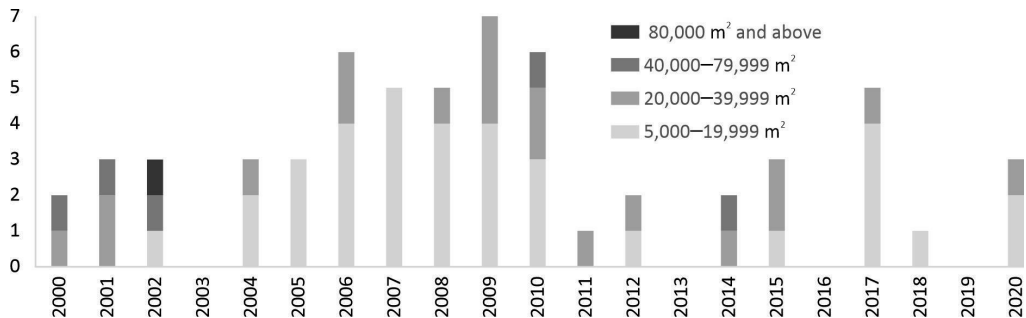


Fig. 3.7: Development of the number of newly opened shopping centres in Slovakia in the years 2000–2018 by size of gross leasable area

Source: own processing

When considering the stages in the development of large retail stores such as supermarkets, hypermarkets and discount stores, it is possible to discuss the diffusion of retail. This can take various forms (Kunc et al. 2013). It involves a certain time sequence for the introduction of each sales concept in the market with reference to the spatial concentration of the retail network. Diffusion processes are influenced by market and location factors, as well as the degree of urbanisation, because these are urban retail formats, and consumer purchasing power. In general, the retail network in Slovakia is increasing in density and it is possible to identify three basic types of retail network diffusion (Szczyrba et al. 2007): hierarchical expansive diffusion, contact expansive diffusion with wave characteristics and contact expansive diffusion with planar characteristics (Fig. 3.8). In hierarchical expansive diffusion, the network spreads according to the size of the territory served and other factors (population density, size of sales area etc.) It involves building hypermarkets where there are the most people (for example, in regional capitals) and then filling in a retail network of smaller formats (supermarkets) in the smaller towns, such as district towns. Tesco is a typical practitioner of this type of diffusion. Wave diffusion is when the expansion of a retail network in space follows the pattern of directional waves (for example, from west to east) regardless of the size of settlements and population density. This type of diffusion can be observed in the expansion of many retail companies on the supranational level. An example is the delayed internationalisation of Slovak retail compared to Czech retail (the delayed entry of selected retail networks). Contact expansive diffusion with planar characteristics could describe Lidl's network of discount stores. The company spread several dozen stores across the whole territory of the state in one day (year) without consideration of size structure (hierarchy).

Globalisation processes have also had an influence on the urban spatial and retail structure. These changes in spatial structure were manifested in both physical and

functional structure. Changes in physical structure include new morphological structures in the form of the single-storey hanger-like buildings of hypermarkets, specialised wholesalers etc. (Bednář 2005). The changes in functional structure include changes in the use of open areas on the fringes of compact developments for the construction of shopping centres and the creation of a new type of extensive monofunctional areas of commercial civic amenities (cf. Spilková and Šefrna 2010). Another group of effects relate to the structure of retail in towns, for example new forms of retail (supermarkets, hypermarkets, DIY superstores), the reduced range of goods in district shopping centres, the reduced importance of department stores in town centres, the dual spatial structure of ownership and lease of sales units based on location rent (local vs national, international retailers), the formation of an oligopoly in food retail, fierce competition between the different forms of retail food sale, a change in the hierarchy of the retail network and its new spatial structure and finally the reduced importance and restriction of itinerant sales.

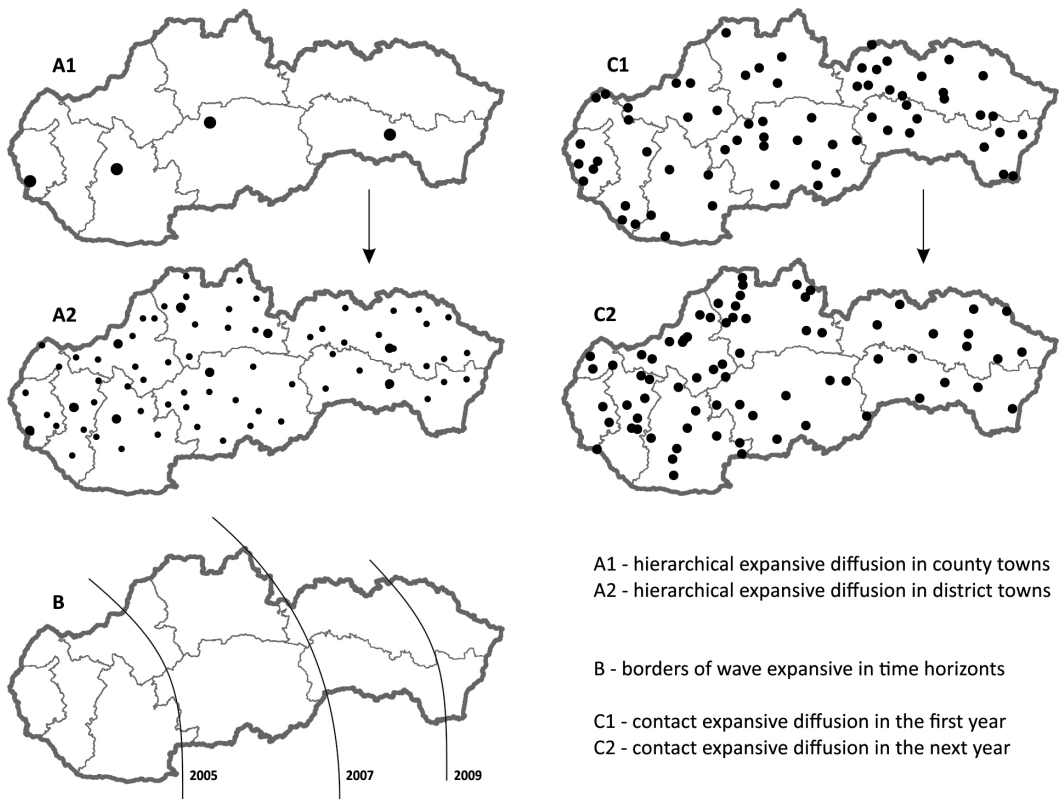


Fig. 3.8. Types of retail diffusion in Slovakia (fictitious examples)

Source: own processing

When evaluating globalisation's effects on urban retail, a distinction can be made between their temporal and spatial manifestations (Križan et al. 2019). In general, the temporal aspect consists of three main trends:

- Change in the number of retail stores.
- Change in the size of retail sales area. The retail sales in towns is increasing but the ratio of sales area per store has increased only slightly.
- Change in the structure of retail. This includes, for example, a decrease in the number of grocery stores and an increase in the number of clothes and footwear shops, pharmacies etc.

The spatial aspect of development in urban retail consists of two main trends:

- Changes in shopping zones. Some locations have developed a specialisation in commercial functions, for example areas on the outskirts of towns where greenfield shopping centres have been built. If shopping districts have survived in town centres, there has been a change in the quantity and structure of retail units.
- Specialisation in shopping zones. The trend in urban retail is towards the spatial concentration of selected specialised stores. A good example is grocery stores, where there has been a rapid decrease in sales area in favour of large stores. Clothing and footwear retail is also showing a trend towards concentration though the above average growth in the number of stores points to atomisation in this retail sector.

Rural (grocery) retail is being transformed by several trends (Križan et al. 2009; Lauko et al. 2018):

- A significant part of routine food purchases are now made outside the local community. These purchases are made in supermarkets, hypermarkets or discount stores. Rural consumers can thus be seen as an important group of shoppers in the nearby towns, which affects the location of construction of new large retail stores in these towns on roads leading out to consumers or next to the bus and rail stations in towns.
- People are less likely to go shopping and there has been an increase in large, weekly shopping.
- There is increasing consumer satisfaction with the quality of conditions for routine grocery shopping.
- Time spent on routine grocery shopping during the week is decreasing.
- Preferences for retail stores (in the rural environment) depend primarily on store accessibility. Only then are lower prices or wider ranges considered.
- There is significant variability in rural grocery stores and stores that are not linked to any retail network continue to predominate.

3.2 Conclusions and trends

The transformation of retail can be characterised from various perspectives, from which geographers focus on the temporal and spatial aspects of structural changes in retail. The largest transformation of Slovak retail took place in the last 30 years. The changes in retail

are often associated with the concept of globalisation. It should be noted, however, that globalisation need not lead to transformation and that the manifestations of globalisation in the economy over space and time vary in terms of transformational changes. They can be affected by political, cultural or economic factors. The first group relates to a degree of isolation from the effects of globalisation in retail despite the fact that retail is undergoing a transformation. An example is the transformation of retail in Slovakia between 1948 and 1989 (cf. Očovský 1974). The second group operates when the traditions and values of the society in question carry more weight than the globalisation wave and therefore globalisation has only a limited impact on the transformation of retail. The last group concerns the economic effects of spatially determined economic activity and the ability of retailers to satisfy their requirements even in less developed regions. Private retailers think exclusively in market terms and are not obliged to provide unprofitable services, as was the case in post-war Slovakia when state-owned and cooperative retail provided basic civil amenities in even the most remote and least developed regions. After the transition to a market economy, the private sector took over retail, leading to changes in its spatial distribution.

In this chapter the transformation of retail has been analysed in terms of the spatial and temporal changes it has undergone, with reference to the factors that influenced these changes. Before 1989 the retail network in Slovakia was marked by low capacity, low quality and an unsuitable structure. After the transition to a market economy, retail in Slovakia experienced various transformation processes: atomisation, internationalisation, concentration and cooperation in the context of globalisation processes. These processes varied in their intensity and their manifestations in both time and space. The transformation of retail in Slovakia has been faster and more intensive in the urban environment than in the countryside and it has also had a greater functional and spatial impact in towns. After the atomisation of retail that was manifested as an increase in the number of retail stores, especially small stores, the process of retail internationalisation began with the entry of international retail chains. This led to concentration in retail manifested as the construction of large stores, especially supermarkets and hypermarkets. Consumers responded to this trend and quickly adapted to the new shopping formats. Small stores experienced a significant decline and began to disappear. This phenomenon was more pronounced in the countryside, which lost and continues to lose basic amenities. The main instrument that small stores used to resist competition from international retail networks was to participate in various cooperative alliances. These have various hierarchical levels in Slovakia: regional, supra-regional and national. Cooperation is most pronounced in food retail but recently also emerged amongst pharmacies.

Shopping centres have become a favourite shopping format in Slovakia over the last two decades. The boom in their construction that began in 2000 has clearly slowed but nothing indicates that their construction is declining. On the contrary, there is a trend to expand existing facilities and to renovate and modernise them. This is one of the trends that reflects consumer demand. Shopping centres are no longer designed just for shopping but also offer extra facilities. This is usually an increased range of leisure activities, not

just for individuals but for the whole family. In Slovakia there is also a trend towards smaller shopping centres. Small shopping centres (up to 20,000 m²) can serve a smaller catchment area and are thus viable in towns with smaller populations.

A number of general conclusions can be made regarding the transformation processes in Slovak retail. Slovakia is affected by all the globalisation processes identified in developed countries and they are transforming retail in both urban and rural environments. Globalisation processes in retail are more intensively manifested in urban contexts. The transformation processes began later than in neighbouring countries. It is possible to identify a delay in transformation processes proceeding from west to east. Market size determines the intensity of the effects of globalisation processes. They are clearer in the larger towns and their hinterlands. The internationalisation of retail has not yet reached maturity in terms of the retail life cycle. The concentration of retail in rural Slovakia is having negative effects in terms of the decline of basic amenities. Construction of shopping centres in Slovakia will continue in future including in towns with smaller populations.

Over the past three decades, post-socialist countries have begun the transition from centrally controlled to market economies, and this is reflected in the changes in retail as well (Biesok and Wyród-Wróbel 2018; Garb 2007; Križan et al. 2016; Kunc and Križan 2018; Sikos T. 2019; Wilk 2006). Accelerated economic growth of post-socialist has also had a strong influence not only on its spatial structure of retail, but also on consumer behaviour, which had under the communist regime followed a different development pattern marked with certain lack and lower quality of shopping opportunities (Spilková 2012a, 2012b). Current consumption and shopping behaviour has thus transformed into a certain kind of leisure activity in all V4 societies.

The transformation of retail had some specific features in various countries, but their general nature was the change in retail spatial organisation and the emergence and rapid growth of new shopping formats, such as supermarkets and hypermarkets (Jessen and Langer 2016). To this day, large-scale shopping formats continue to be popular. However, consumers are gradually shifting their focus to quality and value, and in recent years, the concept of sustainable consumption, connected to environmental protection, has begun to gain more attention. It relies on the use of resources in accordance with sustainable development (Geels et al. 2015, Kita et al. 2021). Alternate consumption has also been linked to sustainable development, which has led to the development of new retail business models as well as alternative food networks (Goodman et al. 2012). The shift of consumers away from global conventional retail chains towards alternative food networks has also been observed in other periods (Spilková 2018).

Retail is changing over time and space, and consumer shopping behaviour is changing with it. Global large-scale supermarkets and hypermarkets have become the most frequented stores for purchasing food in post-socialist countries (Fehér et al. 2021; Kok 2007; Machek 2012; Rudawska and Bilinska-Reformat 2018). Our findings were similar for Slovak consumers, two-thirds of whom shop mostly in global retail stores. Local farmers' markets are becoming more popular in post-socialist countries (Spilková 2016),

but very few consumers purchase food from them regularly. According to results from Slovakia, there is a statistically significant relationship between the type of store where the most frequent purchases are made and the generations of consumers. Generation Z shops above the expected values in hypermarkets, Generations X and Y mainly in supermarkets, and the “baby boomers” and “pre-boomers” in smaller stores (cf. Krbová 2016). In Slovakia, 8 in 10 consumers think global supermarkets and hypermarkets offer food at lower prices, but not of higher quality. Statistically significant dependencies were confirmed only between the given statement in the case of net monthly personal income of consumers and the perception of healthier and higher quality food. Differences in perceptions of the food offered in large-scale stores between urban and rural consumers was not confirmed either. It can be stated, however, that consumers from less populated municipalities perceive the offer of healthy food in large-scale stores less negatively than consumers in more populated municipalities.

A recent trend in changing consumer shopping behaviour and retailing in general is the COVID-19 pandemic (Čvirik 2020; Hall et al. 2021; Roggeveen and Sethuraman 2020). Globally, the COVID-19 pandemic disrupted daily activities, which led to a change in consumer shopping behaviour as well. The majority of Slovakian consumers purchased their food at large stores before and during the pandemic. The pandemic resulted in panic shopping among a third of consumers in Slovakia. One-fifth of Slovakia's consumers have been permanently adapted to the new shopping behaviour (the new normal).

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THE TRANSFORMATION OF HUNGARIAN RETAIL

Tamás Sikos T.

4.1 Hungarian domestic retail between the two world wars

The chapter reviews the development of retail over the past 100 years (Sikos T. 2019). In the period between the two world wars, the development of Hungarian retail trade showed the relative underdevelopment of the economy and society, which was reflected in the small-scale nature of industrial production, the high proportion of the population living from agriculture, and the slowness of urbanisation and industrialization. It is typical that in 1940, there were a total of 83,202 stores in the country, 60% of traders worked without an employee in the 1930s, and the corporate form in trade accounted for only 5%. At the same time, their share of turnover in retail trade reached 20—25%.

The main feature of trade was fragmentation. The number of retailers gradually increased between the two world wars and doubled by 1940 compared to 1920. Typically, in 1920, the number of people working in trade in the country was 160,000, and in 1941, it was 239,000. The commercial supply of the capital, rural towns and villages differed significantly (Tab. 4.1).

The commercial predominance of Budapest is clear even if the number of shops in the countryside is almost three times that of the capital. However, the difference in turnover shows the dominance of purchasing power in the capital, i.e. the turnover of small convenience stores in the village is a fraction of that of the capital. The concentration of capital in Hungarian retail also started in the years after the Great Depression, due to which the number of stores increased from 49,000 to 78,000 in 10 years, while the number of employees increased from 78,000 to 115,000.

Tab. 4.1: Main data on retail trade in 1940 by region*

Region	Stores	Employees	Turnover (in 1,000 pengő)	Number of stores per 1000 residents
Budapest	22,269 / 27%	67,326 / 45%	2,630,306 / 60%	19.0
Countryside	60,933 / 73%	81,985 / 55%	1,751,680 / 40%	7.4
The whole country	83,202 / 100%	149,311/100%	4,381,986	8.9

* data refer to the area of the country in 1920

Source: Magyar Statisztikai Szemle [Hungarian Statistical Review] 1943, 9, p. 482

The Hungarian shopping culture, the appearance of the shops, the selection of goods, the quality of the service and many other characteristics corresponded to those of the

larger European countries. The shopping culture was spread by multinational companies such as the Meinel delicacy, Del-Ka shoe stores (both Austrian), Stühmer chocolate and St. Stephen's candy stores. The Dreher-Haggenmacher brewery has sold its branded products in a number of its own shops or in retail outlets with an exclusive sales contract. The Chamber of Commerce and Industry dealt in depth with the situation of retailers and made noteworthy findings: for several product groups the emergence of cartels and monopolies in the 1930s became a feature. In the milk trade, the captive trade was regulated by a cartel, as was the case for potatoes, firewood, beef, sugar, alcohol, coal and other essential goods. According to the Chamber of Commerce the cartels brought about an increase in the price of basic necessities, which is detrimental to the whole country, not just consumers. During this period, cooperative trade was increasingly present as a significant competitor in the market for each product. The largest and most distinctive cooperative organisation was the Hangya Termelő, Értékesítő és Fogyasztási Szövetkezet [Ant Producing, Selling, and Consuming Cooperative], founded in 1898.

Retail cooperatives can be seen as forerunners of retail chains, being the first in England to use self-service (Sikos T. and Hoffmann 2004; Nagy 2005). Their weakness was that membership decision-making did not allow for a greater return of profits to their network development, and therefore they were not really competitors to retail networks. In Hungary, the cooperative movement struggled with similar problems as the English or Swedish ones, and the aggressive compulsion of retail chains to adapt to the changed market conditions remained missing.

The potential of Hangya Szövetkezet [Ant Cooperatives] grew rapidly and in 1943 it already benefited from the acquisition by hundreds of millions of pengős. By the end of the Second World War, the capital, together with cooperative shops, had the greatest trade potential in the country in terms of retail trade. By the end of the war, however, much of the commercial channel system had been destroyed. The bombings and direct fighting not only resulted in massive human casualties, but also destroyed residential houses, bridges, rails and, along with them, the infrastructure for trade. With the end of the war, reconstruction also extended to trade.

At the end of the war, the retail network also fell under the ruins of the country, especially in larger settlements such as Budapest. The new power was trying to create the conditions for the start of trade, but political motives determined the means.

4.2 From nationalizations to 1989

Accordingly, between 1947 and 1949, the former structure was typical in domestic trade, but by 1950 the liquidation of small shops and the nationalization of larger channels had almost been completed. In the country, wholesale and foreign trade were treated as state monopolies; and in domestic trade, in addition to state ownership, the establishment of cooperatives in the villages began, mainly under the control of SZÖVOSZ. Hungarian trade suffered the harmful effects of centralized management just as much as did all sectors

and populations of the country. In 1950, 39% of the retail turnover was still conducted by private retailers, but by 1953, that proportion had fallen to 2.2%. The number of private retailers fell to 270 and then, after a slow rise, reached 1,500 in 1955 and 23,829 in 1987, barely 31% of all stores in the country. State and cooperative retailing became dominant, and as a result, network development lagged and did not begin until 1968, in line with the concept of the new economic mechanism.

Hungarian domestic trade developed most dynamically in the 20 years between 1968 and the change of regime. The volume of traffic increased by 80% and the floor space of the retail network by 45%. Large department stores were built all over the country, modern department stores and shopping centres were opened in Budapest, in the county seats and in several big cities. It was in these two decades that the gap between the countryside and the capital began to narrow. The modernization of the domestic trade network has also served to handle the growing demand in a more cultured way.

In the 1960s, the development of store trade sped up. State stores with a floor space of more than 6,000 m² were built in Debrecen, Ózd, Veszprém, Csepel, Szeged and Tatabánya. In Budapest, the Hungarian Fashion Hall (Otthon Áruház) and the Paris Department Store (Divatcsarnok) were restored and modernized, and the Luxury Department Store was expanded. Until 1970, the cooperatives built stores with a floor space of 2–4000 m² in Karcag, Pétervásár, Kiskőrös, Nádudvar, Abasár and 20 other cities.

Simultaneously with the reconstruction of cities or parts of cities, large commercial complexes, today we would call them “shopping centres”, were built, for example in Komló, Pécs, Tatabánya, Dunaújváros, Győr, Salgótarján, Veszprém, Budapest, Óbuda, Kelenföld and Zugló. The floor space of the retail network increased by 42% and 18 new units, respectively.

Self-service appeared in the food trade. The grocery store on the corner of Margit krt. and Bem József utca, which is still operating today, was an experimental store. Leaders of domestic trade from the state administration considered the rate of increase in turnover in the first self-service store to be favorable, despite the decrease in headcount. With the proliferation of self-service grocery stores in 1970, 17% of turnover was handled by these stores.

The economic mechanism launched in 1968 had a positive effect on the modernization of the domestic trade network, above all with the spread of self-service and the increase in the floor space of shops. The results of ten years of development in retail are shown in Tab. 4.2.

In the 1970s, the 10,000 m² Domus Department Store, the 5,500 m² Batthyány Square ABC Store, the Flórián Shopping Center in Óbuda, the Skála Cooperative Store, and the Déli Railway Station ABC Store were opened. In the county seats ABCs and home furnishings stores with large floor space were also established.

The economic difficulties (1976–1980) also had an impact on the development of retail trade, as the number of public retail stores was lower in 1983 than in 1973 (Tab. 4.2).

However, the rate of retail development in the capital and in rural settlements was unfavorable, i.e. until the Budapest network became more modern, in small settlements nothing happened.

Tab. 4.2: Floor space of retail network (m²)

<i>Name</i>	<i>1968</i>	<i>1978</i>	<i>Index (1968=100)</i>
<i>Department stores</i>	<i>186</i>	<i>413</i>	<i>222</i>
<i>Grocery stores</i>	<i>1,115</i>	<i>1,708</i>	<i>153</i>
<i>Clothes shops</i>	<i>251</i>	<i>307</i>	<i>122</i>
<i>Chemistry stores</i>	<i>95</i>	<i>102</i>	<i>107</i>
<i>Hardware stores</i>	<i>274</i>	<i>371</i>	<i>150</i>
<i>Cultural goods store</i>	<i>263</i>	<i>396</i>	<i>150</i>
<i>Other specialised stores</i>	<i>52</i>	<i>129</i>	<i>248</i>
<i>General stores</i>	<i>47</i>	<i>485</i>	<i>103</i>
<i>Stores total</i>	<i>2,708</i>	<i>3,911</i>	<i>144</i>
<i>Restaurants, catering shops</i>	<i>2,084</i>	<i>2,714</i>	<i>130</i>
<i>Retail total</i>	<i>4,792</i>	<i>6,625</i>	<i>138</i>

Source: A belkereskedelem négy évtizede (1945–1985) [Four decades of domestic trade]. KJK, Budapest, 1985, p. 234

In 1983, new forms of retail operations emerged, which also had a positive effect on costs and customer service. These were “socialist-type” forms of enterprise in which some individuals or small groups operated a shop using state or cooperative assets. Their income depended on their performance, their own work. At the end of 1983, 8% of shops and 33% of catering shops operated under the control of “contractors” (Tab. 4.3).

Tab. 4.3: Number of contract shops (as on December 31 each year)

<i>Profile</i>	<i>1982</i>		<i>1983</i>		<i>Index (1982=100)</i>
	<i>number of shops</i>	<i>1982 %</i>	<i>number of shops</i>	<i>1983 %</i>	
<i>Food</i>	<i>1,267</i>	<i>21.5</i>	<i>2,100</i>	<i>23.2</i>	<i>165.7</i>
<i>Clothing</i>	<i>102</i>	<i>1.7</i>	<i>223</i>	<i>2.5</i>	<i>218.6</i>
<i>Hardware</i>	<i>348</i>	<i>5.9</i>	<i>663</i>	<i>7.3</i>	<i>190.5</i>
<i>Restaurants and catering</i>	<i>4,178</i>	<i>70.9</i>	<i>6,073</i>	<i>67.0</i>	<i>145.4</i>
<i>Total</i>	<i>5,895</i>	<i>100.0</i>	<i>9,559</i>	<i>100.0</i>	<i>153.7</i>

Source: A belkereskedelem négy évtizede (1945–1985) [Four decades of domestic trade]. KJK, Budapest, 1985, p. 317

This new form of retail has quickly become popular with both retailers and customers. Competition, financial interest also brought more profits to the owner, and the state also made a surplus from rising tax revenues.

4.3 The situation of cooperative retailing until the change of regime

In 1985, the development of domestic retail was facilitated by new provisions to increase efficiency and customer satisfaction, and cooperative trade was also beneficiary, as the cooperative network appeared with increasing potential in the markets. The number of retail outlets increased, the food trade multiplied and highly exceeded the size before the war, because full employment, the co-operative of agriculture, the supply of large-scale and industrial production which replaced small industry became a central task, and, accordingly, the goods produced were distributed through shops.

State and cooperative domestic trade exchanges expanded after 1968. These have increased the supply. The Cooperative Wholesale Association (ÁFÉSZ) continued its efforts to coordinate its buying and selling activities, but the autonomy of regional associations was maintained. Both state and cooperative trade sought connections with other markets, resulting in a number of products entering the domestic market that could not be obtained otherwise. The share of consumer goods imports in total retail sales rose to 19.7% in 1978 from 11.1% in 1968.

The data in Tab. 4.4 show the change in the composition of consumer goods trade between 1952 and 1980. The change is characterised by an increase in the share of cooperatives and private trade. The retail changes of the 1980s also show signs of crisis in the economy, since the economic reform which started dynamically suffocated, shortage became permanent, and trade was trying to find the tools and means to develop.

Tab. 4.4: Distribution of turnover in consumer goods trade, 1952–1980 (%)

Type of shop	1952	1955	1957	1960	1965	1968	1970	1975	1980
State	76.5	71.5	69.5	69.7	69.0	67.1	65.5	64.4	62.0
Cooperative	19.6	27.4	29.1	29.1	30.1	32.1	33.7	34.8	37.2
Private	3.9	1.1	1.4	1.2	0.9	0.8	0.8	0.8	0.8
Nr of shops	22,248	24,390	27,931	30,244	32,118	33,822	35,216	36,691	36,340

Source: *A belkereskedelem négy évtizede (1945–1985) [Four decades of domestic trade]*. KJK, Budapest, 1985, p. 338

The network development of the cooperative sector was also characterised by the construction of larger stores and department stores. The total floor area of cooperative stores increased by 45.3% between 1978 and 1983, and that of ABC (grocery) stores by 53.6%, while that of specialty stores increased even more dynamically by 84.2%.

ÁFÉSZ (General Consumption and Sales) cooperatives and cooperative companies (e.g. ZÖLDÉRT) played a key role in the development of cooperative trade, and their greatest merit was the supply of small commodities to small settlements. The distribution of the network indicates this task (Tab. 5.5).

Tab. 4.5: Distribution of the cooperative retail network by settlement category (based on floor area, %)

<i>Settlement category</i>	<i>1979</i>	<i>1980</i>	<i>1981</i>	<i>1982</i>	<i>1983</i>
<i>Budapest</i>	<i>21.2</i>	<i>21.1</i>	<i>20.6</i>	<i>20.6</i>	<i>20.7</i>
<i>Cities</i>	<i>39.8</i>	<i>40.5</i>	<i>41.2</i>	<i>41.4</i>	<i>41.5</i>
<i>Villages</i>	<i>39.0</i>	<i>38.4</i>	<i>38.2</i>	<i>38.0</i>	<i>37.8</i>
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>

Source: SZÖVOSZ Statisztikai Zsebkönyvek. Budapest, 1980–1985

Cooperative retailing gained a larger share in the cities by opening larger ABC stores and general stores in the cities, but their presence in the villages corresponded to the proportions of the population. By the mid-1980s, thanks to urbanisation, more than 60% of the population lived in cities or urban settlements; this is reflected in the development efforts of cooperatives.

4.4 Cooperative retailing after the change of regime

The retail network of in the Hungary has gone through a significant change iafter the change of regime. The foreign chains have also started to have market shares. At the same time, the private sector and the long-established cooperative trade also renewed through Coop store chains. The Coop chain was established in 1995, with 465 stores and € 119,9 million¹ annual sales revenue. Coop is the successor of the already examined ÁFÉSZ coop organisations, from which Coop-Hungary Rt. Was formed. In 1997, the chain already had its own Coop brand, which simplified the identification of network members. In 1998–1999, the owners considered the expansion of the network, the increase in the number of own-brand products, and the integration of procurement to be their most important tasks.

The number of stores in the chain tripled between 1995 and 2001, and turnover nearly quadrupled. The turnover of € 119,9 million in 1995 was € 632,5 million² in 2001, the distribution of which is remarkable. Mini Coop stores accounted for 55% of all stores, but only 26% of turnover. Prior to the change of regime, the Mini Coop stores belonged to a small-scale network operating mainly in villages. Larger Coop stores accounted for 41% of sales in 2001, but only had a 34.5% share of stores. So, their potential did not depend on the number of stores, but rather on the location and profile of the store.

¹ At the exchange rate valid on 31 December 1995, HUF 358,6 /EU

² At the exchange rate valid on 31 December 2001, HUF 264,0 /EU

The 27 supermarkets, the newest members of the Coop chain, accounted for only 8% of turnover in 2001. In 2002, the Coop chain had 2,000 stores, which are characterised by a rather diversified size and therefore a very different selection. Coop therefore developed its own business typology and classified the stores accordingly.

The distribution of shops in the networks in 2003:

- there is increasing consumer satisfaction with the quality of conditions for routine grocery shopping.
- the Mini Coop network included stores with a floor area of 60-160 m², with a monthly turnover of 2 million HUF;
- the Coop network housed shops between 160 and 280 m² with a monthly turnover of 4.5 million HUF;
- the Maxi Coop network included stores with an area of 280-600 m² with a monthly turnover of 11 million HUF; and finally
- the Super Coop chain consisted of 27 supermarkets of the cooperation with a monthly turnover of 33 million HUF.

Even after the change of regime, cooperative retail maintained its aspirations, its form of operation and enriched its activities by creating a wholesale, transport, and stockpiling background. During the privatisation, The Mecsek, Hétforrás, Tisza Fűszért wholesale companies became the property of ÁFÉSZ coop during the privatisation period, the management and the employees bought the stores of Mátra, Kisalföld and Bakony Fűszért. Hajdúszökyer was the first to be established in 1992 under the name PRO Coop, followed by the cooperative wholesale enterprises of the Transdanubian counties.

4.5 The awakening and conquest of private retail

Private retail was very difficult to recover (Tab. 4.6) and it was only after 1977 that there was some shift from a stalemate, but even in 1980 it had a share of only 0.8% of turnover. However, the number of private retailers in the specialised retail network increased by 67% between 1979 and 1983, and their main task was to reduce the shortage.

Tab. 4.6: Changes in the number of in-store private trader licenses, 1979–1983

<i>Profile</i>	<i>1979</i>	<i>1980</i>	<i>1981</i>	<i>1982</i>	<i>1983</i>	<i>Index (1983/1979, %)</i>
<i>Food</i>	<i>3,391</i>	<i>3,489</i>	<i>3,370</i>	<i>3,984</i>	<i>4,536</i>	<i>133.8</i>
<i>Clothes</i>	<i>1,491</i>	<i>1,565</i>	<i>2,118</i>	<i>2,711</i>	<i>4,069</i>	<i>272.9</i>
<i>Hardware</i>	<i>4,560</i>	<i>4,892</i>	<i>5,605</i>	<i>6,540</i>	<i>7,340</i>	<i>161.0</i>
<i>Total</i>	<i>9,442</i>	<i>9,946</i>	<i>11,093</i>	<i>13,235</i>	<i>15,945</i>	<i>168.9</i>

Source: Statisztikai összefoglaló a magánkereskedelem 1983. évi adatairól. [Statistical summary of private trade data for 1983] KISOSZ (1984)

In order to compare the data of private retail trade before the change of regime, i.e. to show the pace of development, the number and change of stores with the same profile are shown in Tab. 4.7. The change in the system resulted in an increase in the number of stores in some specialised profiles and a decrease in others. The impact of shopping centres on the retail store network is dealt with in a separate subchapter, here we only anticipate that many entrepreneurs have rented stores in the new facilities, giving up the previous ones, and new retailers have appeared in the large-area facilities.

Tab. 4.7: Changes in the number of some key retail business types, 1996–2001

<i>Profile</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>2001</i>	<i>Index (2001/1996 30 June)</i>
<i>Food</i>	<i>23,402</i>	<i>29,936</i>	<i>30,911</i>	<i>36,912</i>	<i>158.0</i>
<i>Clothes</i>	<i>15,558</i>	<i>20,250</i>	<i>21,998</i>	<i>21,824</i>	<i>140.0</i>
<i>Hardware</i>	<i>n.a.</i>	<i>933</i>	<i>1,111</i>	<i>3,626</i>	<i>996.0 (base:1997)</i>
<i>Total</i>	<i>38,960</i>	<i>51,119</i>	<i>54,020</i>	<i>62,362</i>	<i>160.0</i>

Source: Kereskedelmi adattár. [Trade repository] KSH, Budapest, 1999, p. 17. and Területi Statisztikai Évkönyv [Regional Statistical Yearbook] (2001)

In general, we can say that the number of stores in all specialties has not decreased, but has increased significantly, despite the fact, that traditional downtown, attractive districts, such as Váci Street in Budapest, have shamefully fallen victim to expanding multinational retail. Of course, this also proves the direction in which customer behaviour has changed as a result of the fact that supply has expanded, has become more colourful and greater in variety.

In the Hungarian market, fierce competition has developed between the present multinational and two higher potential retail chains. The three major competitors, Tesco, Coop, and Penny Market had a 24% market share. Customers spend the largest share of their expenses in specific article groups in these retail chains. 61% spend the highest amount at Tesco, 56% at Penny Market and 43% at Coop. Inter-chain substitution also reinforces these trends, with 80% of Cora customers (now Auchan) buying at Tesco, 66% at Coop stores and 61% at Penny Market. 79% of Interspar customers also shop at Tesco, 67% at Penny Market and 63% at Coop stores. 67% of Tesco customers also shop in Coop stores, 66% in Penny Market, and 53% in CBA stores (Tab. 4.8).

For centuries, Hungarian retail has followed European trends, sometimes with a slight delay, but striving to catch up (Nagy 2001). Considering how many political changes Hungarian retailers have survived only in the 20th century, how it has adapted to the country's declining size, markets and customers, and how successfully it has recovered within a single century in new and even newer systems, catching up with the European mainstream. We can be almost proud of the performance of our commercial entrepreneurs.

Tab. 4.8: Data of major retail chains in Hungarian retail in 2001

Company name	Major members	Number of shops	Turnover (billion Ft)
<i>Metspa</i>		121	375
	<i>Metro</i>	11	270
	<i>Spar</i>	96	47
	<i>Interspar</i>	14	57
<i>CBA</i>		2,200	295
	<i>CBA shops</i>	1,984	208
<i>Coop Hungary</i>		2,310	260.5
<i>Honiker</i>		3,066	216
	<i>BÉE network</i>	200	42
	<i>Kerekes Kft.</i>	548	36
	<i>Cofact Bt.</i>	1	16
	<i>Zéta Rt.</i>	300	9.1
<i>Proveda</i>		220	209
	<i>Cora</i>	5	115
	<i>Match+Smatch</i>	152	60
	<i>Profi</i>	63	34
<i>Tesco-Global</i>		48	188
<i>Rewe</i>		150	160
	<i>Penny</i>	129	142
	<i>Billa</i>	21	18
<i>Tengelmann</i>		159	151
	<i>Plus</i>	118	63.5
	<i>Kaiser's</i>	21	36.4
	<i>Intefruct</i>	20	51
<i>Reál Hungária</i>		1,440	104
<i>Auchan</i>		4	65

Source: *Konkurenciaelemzés. [Analysis of Competitors] Az AC Nielsen és a GfK. Hungary vizsgálata a Coop-Hungary Rt. megbízásából (2001)*

Researchers believe they are discovering a link between the industrial performance of a given economy and the proportion of commercial turnover in self-service stores. In Hungary, self-service appeared in retail 10 year before the change of regime and became very popular, and even now it is almost common in all professions.

Tab. 4.9: Network of private retail stores

<i>Profile</i>	<i>1987</i>	<i>1988</i>	<i>1989</i>	<i>1990</i>	<i>1991</i>	<i>1992</i>
<i>Food</i>	6,110	6,449	7,257	12,011	26,579	32,333
<i>Clothes</i>	6,236	6,544	7,839	10,384	13,918	16,109
<i>Chemistry</i>	584	606	693	1,012	2,055	2,691
<i>Hardware</i>	1,956	2,159	2,495	3,112	4,717	6,150
<i>Cultural goods</i>	876	961	1,100	2,483	3,826	5,048
<i>Special items</i>	7,330	8,086	9,131	13,694	18,777	22,071
<i>Fuel</i>	737	758	781	978	1,524	2092
<i>Total</i>	23,829	25,563	29,296	43,674	71,396	86,494

Source: *Tények könyve [Book of Facts] 1997, p. 626*

4.6 Power fields and roles of Hungarian and international food chains

Shopping centres at the top of supply chain play a decisive role in the domestic food retail. The retail outlet types of each network, their spatial distribution and their proportion depend to a large extent on the purchasing power of the given area. The development of store chains is determined by the optimal economies of scale.

Large floor-size hypermarkets with their retail units can offer a wide range of food and nonfood products, while the large amount of convenience stores at the bottom of the commercial pyramid offer mainly basic groceries. Three factors have a significant effect on the development of the number of the different types of retail outlets: the size of the purchasing power in the catchment area of the given type, the labor resources available in each shopping centre and the market position and location of competitors (Fig.4.1).

The interaction of the three factors significantly influences the force field of a commercial unit or chain. There is a relentless competition between retail chains and independent stores to win and retain the best position. The capital strength of commercial units plays a significant role in this struggle, as hypermarkets or discount chains have a much greater chance of acquiring or retaining labor than independent small shops. A direct consequence of the lack of capital in convenience stores is that between 4,000 and 5,000 stores are currently going bankrupt each year, and almost a similar number of new entrants are arriving in the hope that they will be luckier than their predecessors (KSH, Statisztikai Tükör 2008, 2019)³.

The struggle for competition is not only in the labor market, but also for the favorable market opportunities to gain more purchasing power, more precisely, to create a more significant market force. To this end, capital-intensive companies are buying retail stores from other networks: for example, Auchan bought 4 Coras, Spar 3 and Lidl 7 CBA units in 2012, but there have been similar processes before, but then the owners of the CBA

³ <http://www.ksh.hu/docs/hun/xftp/idoszaki/jelkisker19/index.html>

franchise system bought 48 Match and Profi stores, and now they are being bought up by major multinational competitors.

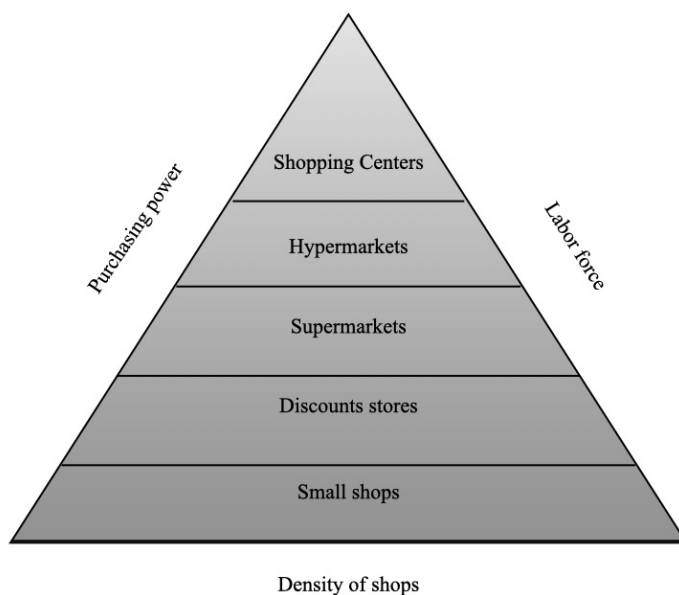


Fig. 4.1: Factors affecting the players in food retail

Source: own processing

The spokesperson of Spar said of this process: “Of course, as in the past, we will not refrain from further acquisitions, if possible, as we are committed to Hungarian customers in the long run” (Spar expands at the expense of CBA 2018).

The interaction of the three factors significantly affects the number and opportunities of market participants. Hypermarkets, for example, can only operate effectively in large or medium-sized cities, as the right size of catchment area and population are essential to their existence. The small shops are already able to cling to the smallest units of the settlement hierarchy, yet in the settlements of Hungary with less than 200 inhabitants there is no retail store⁴ (in 268 rural settlements 2019) at all, at most the mobile shops can only be considered here. Further very significant concentration processes are expected in the market in the future. One line of this will be acquisitions, the other will be the bankruptcy of some market players. The latter will be increasingly reflected in the market of convenience store chain and the independent convenience stores. In September 2017, Palóc Nagykereskedelmi Kft., which was the most significant employer and food supplier in Nógrád county, went bankrupt. As a franchise partner and regional center of the CBA, the

⁴ Helyzetkép a kiskereskedelemről, 2019, <https://www.ksh.hu/docs/hun/xftp/idoszaki/jelkisker19/index.html>

store network operated 80 stores (24 own stores, 56 rental properties). Of these, 6-8 stores have been owned by Coop, one by Spar, but with the acquisition of the rest the market is still waiting, as competitors want to acquire the vacant stores as cheaply as possible. The real losers in bankruptcy are workers and consumers who, in the absence of the wider range of food offered by the chain, are forced to travel 40 to 50 km to do major shopping.

Nowadays, the quality of basic food supply is provided to people living at different levels of the settlement hierarchy in very different ways. It does not matter in which region of the country the population lives, as the possibility of accessing basic foods can be very different in space and time. The market share of the different channels varies over time and space, and we intend to examine this in the following.

In Hungary, the FMCG sector accounted for roughly half of retail sales in 2018, amounting to € 16049,265 million (CSO 2018). In the following, it is also worth examining the processes that took place on the basis of sales channels (Fig. 4.2).

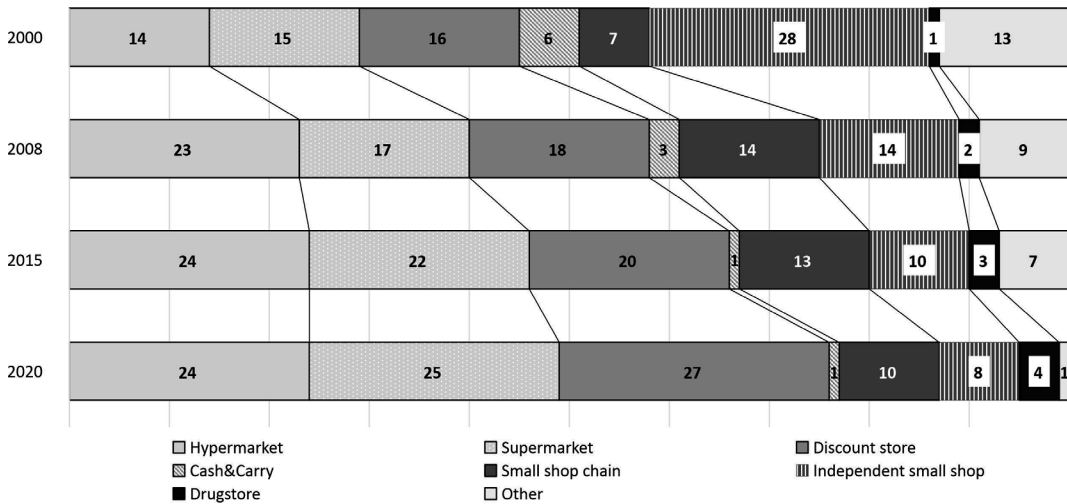


Fig. 4.2: Distribution of sales channels in Hungary, 2000–2020

Source: own processing based on GfK Hungária (Háztartáspanel [Household]) data (link: https://piacesprofit.hu/gazdasag/kereskedelem_diszkontok_es_szupermarketek_erositenek/2/)

As it can be seen, there have been significant structural changes in the food retail market over the last 20 years. In the 2000s, both hypermarkets and independent small shop were able to significantly increase their market share, but this trend has changed since the end of 2008 economic crisis. The share of the then market-leading hypermarket channel has been stagnant overall since the 2010s and has now lost its leading position. And convenience store chains have been steadily declining over the same period, with market share declining from 14% at the time to 8% in 2008, accounting for nearly a third of

⁵ At the exchange rate valid on 31 December 2018, HUF 321,51 /EUR

their share. Meanwhile, the supermarket and discount channel have achieved significant growth, in part due to the opening of new stores and, in many cases, the acquisition of rival store chains. Nowadays, the two sales channels have roughly the same share as hypermarkets in the Hungarian food retail. At the same time, of the three forms of sales, the market position of discount stores can be considered the most favorable, as its growth rate is already faster than that of other forms of sales. And the situation of small shops is the most unfavorable, they are threatened with complete impossibility within the sector because they alone are not competitive enough with retail chains. In defense, the owners of some convenience stores joined one of the cooperative chains during the discussed period, and others were forced to close down. These processes are indicated by the drastic decline in the 28% market share of independent small shops since the turn of the millennium.

Although in recent decades the individual sales channels have become increasingly intertwined for each retail chain, there are still some major players behind each form of sales who have been clearly able to manage the changes in the market structure. The analysis compared the Tesco hypermarket chain, the Spar supermarket, the three German-owned discount chains (Lidl, Aldi, Penny Market) and the Hungarian cooperative store chains (Coop, CBA, Reál). The order of strength of the food retail chains is shown in Tab. 4.10, which also points out exactly how many stores the firms that reach a given turnover operate to realise their turnover. The number of the stores also indicates the efficiency of the networks.

The domestic FMCG sector is characterised by a high degree of concentration, with the 3 largest store chains generating almost 40% of total gross sales in 2019. For the 9 retail chains examined, this value already accounts for about 4/5 of the national turnover (81%). Nevertheless, these companies own almost a quarter (24%) of all food and food-type convenience stores in the country. In 2019 based on total gross sales, the largest player in the Hungarian market is Tesco (€ 2177,2 million), followed by Lidl (€ 2015,4 million) and Spar (€ 2056 million). Only Coop, ranked 4th, has an annual gross turnover close to these values (€ 1945,4 million), with Penny Market (€ 988,7 million) and Aldi (€ 907,7 million) significantly behind them. Nevertheless, it can also be seen from the data that the effectiveness of the discount model is not in doubt, which is supported by the magnitude of the different values of sales per store as store types. By 2020, Lidl will be the market leader (€ 2281,7), followed by Spar (€ 2023,6) and then Tesco (€ 2042,9). Using Trade Magazine data for 2019 and 2020, Lidl's average annual gross sales per store ranged from € 11.07 million to € 12.26 million, Aldi's from € 6.3 million to € 6.65 million and Penny Market's from € 4.43 million to € 4.52 million. While the average revenue per store of the domestic retail chains Real, CBA and Coop ranged between € 0.44 million and € 0.049 million and € 1.0 million and € 1.09 million respectively between 2019 and 2020, this movement cannot be considered as a significant increase.

Tab. 4.10 The most important features of food supply chains in FMCG sector, 2019, 2020

Chain	Type	Number of shops		Gross sales revenue (million €)*		gross sales revenue / shop (million €)		FMCG ranking based on reve- nue		order of strength based on gross sales revenue	
		2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Tesco	Hyper-market	202	201	2,177,5	2,042,9	10,8	10,16	1.	3.	3.	3.
Auchan		24	24	11,94,8	1,157,1	49,7**	48,21**	7.	7.	1.	1.
Spar	Total	572	588	2,056,0	2023,6	3,59	3,54	3.	2.	6.	6.
Lidl		182	186	2,015,4	2,281,7	11,07	12,26	2.	1.	2.	2.
Aldi	Discount-store	144	147	907,7	977,7	6,30	6,65	9.	9.	4.	4.
Penny Market		223	226	988,7	1,021,4	4,43	4,52	8.	8.	5.	5.
Reál		1,286	1,189	1,291,6	1,172,2	1,00	1,09	6.	6.	7.	7.
CBA	Convenience store, ABC	2,018	1,987	1627,7	1,484,4	0,80	0,75	5.	5.	8.	8.
Coop		4,449	4,063	19,45,4	1,791,1	0,44	0,49	4.	4.	9.	9.

* The difference is due to the time difference between the exchange rates ** including gross sales at petrol station, 2019, 2020

Source: Trade Magazin FMCG Toplisták alapján, 2019, 2020 [Top lists]

link: <https://trademagazin.hu/hu/kereskedelmi-toplistak/>

The data show that Lidl is at the forefront of the FMCG sector in terms of efficiency, which can generate up to more than 10 times the turnover of Hungarian chains per store in one year. The fact that foreign-owned multis are much more successful than domestic store chains is also evidenced by the fact that they achieved their outstanding turnover with just over 1,200 business units, while the Hungarian chains produced their much more modest gross annual turnover per store with more than 8,000 units. This is partly due to the centralized corporate governance and their more efficient operation mentioned earlier, and partly to the larger store form, which has a better revenue-generating capacity. It is also important to point out the reason why discount chains and supermarkets are typically present only at a higher level of the settlement hierarchy, in cities, where these foreign retail chains draw customers from settlements with larger and more solvent populations. Small settlements with low purchasing power are typically not large enough for domestic retail chains to operate economically with their fragmented store network.

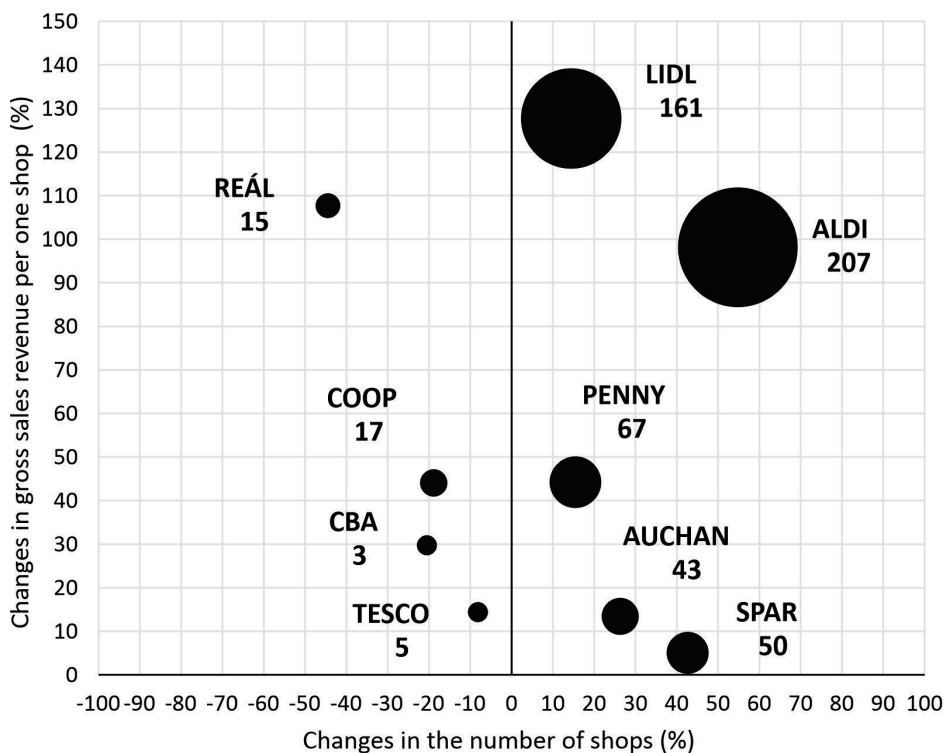


Fig. 4.3: Changes in financial result and size of the store network, 2013–2019

Source: own processing based on Trade Magazin Kereskedelmi Toplistája, 2019 [Retail Toplist]
 link: <https://trademagazin.hu/hu/kereskedelmi-toplistak/>

In the following, we examine how the size of the store network changed (x axis) and how the sales revenue per 1 store (y axis) changed for the examined store chains. The size of the coordinate points shows the percentage change in the total gross sales of the store

chain (Fig. 4.3). On the one hand, in general, due to increasing retail consumption and development investments, the gross sales revenue of each of the examined companies increased between 2013 and 2019. On the other hand, the examined retail chains were not able to take advantage of the favorable macroeconomic environment to an equal extent, and market inequalities also increased significantly during this period.

Of the international retail chains, Tesco was able to achieve the smallest gross revenue growth over a 6-year period. There were no significant changes in the size of the store network (5%) or in the productivity per store (8%), so overall we can assess its performance as stagnant. Spar (50%) and Penny Market (67%) are among the moderately successful companies, as they have both been able to significantly increase their revenues.

Spar, on the other hand, achieved this mainly through a significant improvement in the number of stores (43%), while Penny Market saw a larger increase in sales per store (44%). Discount chains Lidl (161%) and Aldi (207%) stand out from the field, having more than doubled their gross sales during this period. The extent of the change in revenue per store does not show much difference, so the main reason for the change in the relatively large revenue gap between them is much different due to the different dynamics of the development of their store network. The number of retail stores of Lidl was 159 in 2013, in 2019 this number was 182, while Aldi had 93 stores in 2013 and in 2019 it already consisted of 144 units.

National retail chains have been continuously severed compared to foreign retail chains, with even greater differences than in the previous period. At the same time, their productivity per store was able to increase significantly during this period for each of the convenience store chains, which was largely due to the rationalisation of their store network. In the case of Reál, for example, these figures show a very high increase of 86.6%, but the chain managed to achieve all this with a 44.4% reduction in the number of stores.

Coop and CBA's store network shrank to a similar extent, but in terms of gross sales, Coop and Real already slightly outperformed CBAs, and even the Tesco hypermarket chain, which Coop was able to achieve with a relatively low number of stores. It can be stated that Hungarian retail chains are losing market share to an increasing extent, they cannot compete with multinationals. Nowadays, they only have a chance to compete effectively with them in niche markets where, due to their size and operating model, multinationals cannot enter. Hungarian retail chains can expect a further decline in their market share in the future, but with their consistent business policy, they still have a good chance of winning the battle for survival.

The government's intention to stop multinationals with a "plázastop" (law on shopping centres) or Sunday closure has so far been ineffective, as multinationals have made new types of investments such as opening shops at gas stations or e-commerce because of their capital strength. This averted the negative effects of Sunday closure and introduced new innovative solutions in logistics that made their trade even more efficient (Kovács and Sikos T. 2016). Sunday closure only resulted in a rescheduling of shopping days and

opening hours, essentially hypermarkets did not lose on this, and even won by optimising their turnover. Due to the shorter opening hours, both FMCG products and the purchase of durable goods have seen a rationalisation of purchases (decreased frequency of purchases), i.e. people did their shopping less frequently, and the distribution of purchasing costs has also changed as a result of the law: the share of turnover of small shops - the type benefiting from the law - in case of FMCG products increased. As a result of the closure of stores, an increasing number of customers switched to e-commerce, which is 26% increased in this, and some customers who like it did not return to the traditional retail form even after the law was repealed in 2016 (Kovács and Sikos T. 2017).

In recent years, there has been an organisational and spatial reorganisation in the network of food retail chains. After 2008, the domestic chains that were formed or strengthened in the 1990s (CBA, founded in 1994; Coop, founded in 1995) were in a more unfavorable market situation, partly due to the economic and financial crisis. Although they tried to renew their network, they still had a hard time with the more capital-intensive multis: multinational companies started to acquire the better-located stores in the network of domestic chains. With their significantly larger capital, multinational food trading companies were able to adopt new sales techniques in domestic trade with the know-how of the parent company, which resulted in a more efficient trading system, and thus these units more easily win the favor of customers. The effectiveness of trading techniques varies by store type, with changes permeating the entire buying process and thus affecting the following factors of the purchase:

- place (offline, online);
- time;
- duration;
- frequency (monthly, by-weekly, weekly);
- the customer basket value (small less than € 15⁶, medium € 15–30, large over € 30).

It does matter to shoppers how close quality shops are to their place of residence, whether the shopping journey is shortened for them or whether it becomes more convenient, for example through e-commerce (in Hungary, online grocery shopping is still limited, operates mainly in metropolitan areas). The COVID-19 pandemic prompted shoppers to be more cautious, making them more willing to shop in the online food retail market, which opened the way for new entrants such as Kifli, Chefmarket, etc., which, without maintaining a store network, only deliver from stock. While supply has improved somewhat in the metropolitan environment, further reductions in the number of local convenience stores in small towns are forcing shoppers to travel greater distances to reach one of the grocery chains in larger settlements. So, it matters a lot to the given potential buyer in which region, area, or settlement he lives, as the chances of accessing the basic goods are not equal. Customers living in cumulatively disadvantaged areas are at a particular disadvantage, as it might take half a day to visit a higher quality store. The country currently has more than 300 small settlements with no shops at all. In small village areas, high-quality shops are no longer able to settle due to economic and efficiency indicators. The opening of grocery stores is not much

⁶ At the exchange rate valid on 31 December 2020, HUF 339,88 /EUR

of a reality in the future either, as the population of the settlements is low, and this is accompanied by extremely weak purchasing power.

4.7 Types of shops and chains

In the following, we examine the spatial distribution of the five leading retail chains according to their market position.

Tesco

It was appeared in Hungary in 1994, when it acquired the Global store network. Today, it operates more than 200 retail units (Tab. 4.11). Initially, its small shops were the dominant ones, these are the so-called S-Markets between 250 and 750 m², which operated mainly in North-West Hungary.

The company opened its first independent supermarket in Szombathely, followed by the opening of a store on 2,500 m² in the Pólus Center in 1996. Currently, the company has 210 stores, with 109 hypermarkets playing a dominant role, accounting for 52% of Tesco's store network and accounting for the largest share of its turnover. The opening of hypermarkets has also opened a new chapter in Tesco's history, as it has expanded its former supermarket group with a much wider range of food and non-food products. This type of store became Tesco's most successful business unit, which it first tested in Hungary and later operated successfully around the world. In November 2000, the hypermarkets in Budaörs and Pesterzsébet were opened, which are still the largest business units of Tesco with a floor area of 15,000 m². The length of the shelves in the hypermarket reaches few km and the number of products offered is close to 50,000 pieces.

Tab. 4.11: Number of Tesco stores and their distribution in 2018

<i>Type</i>	<i>Number</i>	<i>Distribution in percentage</i>
<i>Hypermarket</i>	<i>109</i>	<i>52</i>
<i>Supermarket</i>	<i>43</i>	<i>21</i>
<i>Convenience</i>	<i>51</i>	<i>24</i>
<i>Tesco Extra</i>	<i>7</i>	<i>3</i>
<i>Total</i>	<i>210</i>	<i>100</i>

Source: own processing based on data on Tesco's website

The spread of the Tesco hypermarket network began in 1996 in Budapest. The high purchasing power of capital has contributed to this process. In the following period, the expansion was concentrated in Debrecen and the cities of county status, Miskolc, Nyíregyháza, Pécs, Székesfehérvár and Kaposvár. The next target area was mainly Western Transdanubia and the Southern Great Plain. Between 2003 and 2005, resources were focused on the development of the Budapest agglomeration and the North Transdanubia

region. The Tesco between 2005 and 2008 the Northern Great Plain and Sajóvölgye spreaded. So far, no hypermarkets have been established in the peripheral areas of the country and in small villages, but it is understandable as there is no adequate level of purchasing power in these areas (Fig. 4.4).

The key to Tesco’s international and domestic success lies in the company’s innovative business behaviour. In its retail network Tesco has always strived to use the most modern methods and tools and in the development of its business units. To this end, it continuously examined changes in consumer behaviour and sought to adapt to market needs. The stable operation of the company is also due to the fact that its business philosophy has hardly changed since its establishment. Its portfolio is still diversified: it includes clothing, food and beverage, and services. Tesco hypermarkets in a larger number are located in 5 cities: 11 in Budapest, 3 in Pécs, 2 in Kecskemét, 2 in Székesfehérvár and Dunakeszi, and the other 89 stores are located in different cities, one per each. The location of hypermarkets is linked to the basic question of site selection, namely that a retail center with a floor area of 5-15 000 m² is only viable where its gravity zone reaches or exceeds 100 000 people, so in many parts of the country this type of business cannot operate profitably (Fig. 4.5).

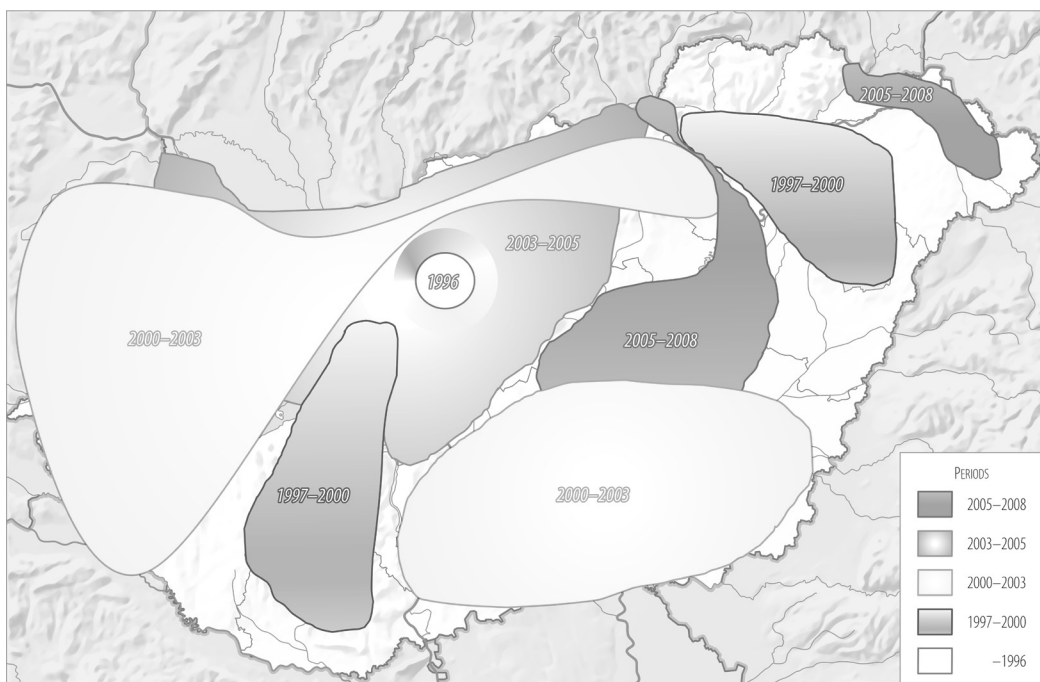


Fig. 4.4: Spread of Tesco hypermarkets, 1996-2008

Source: own processing based on MBSZ [Hungarian Council of Shopping Centers] 2020

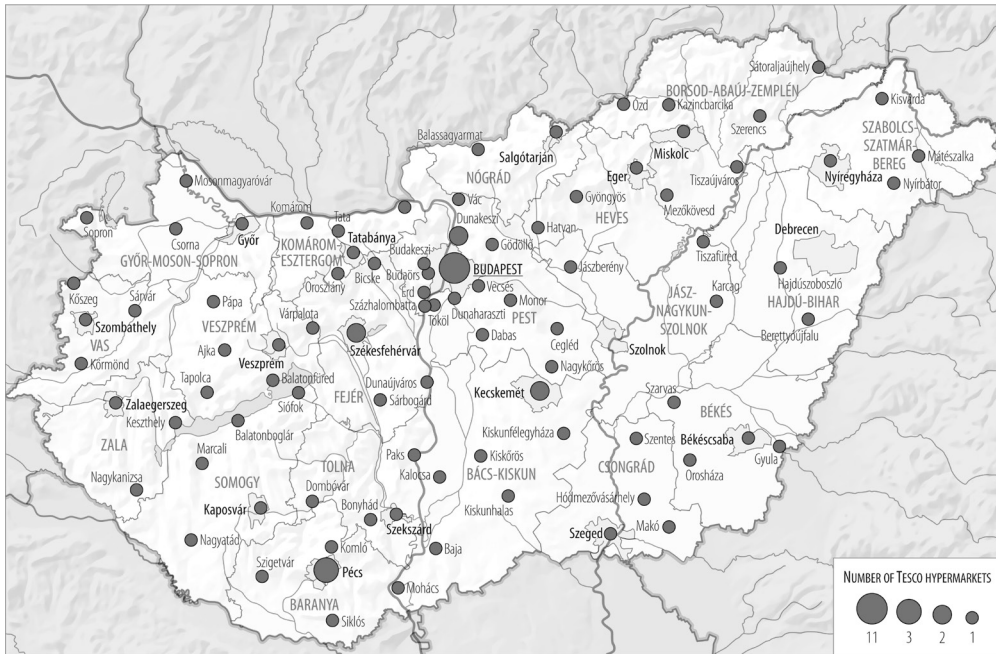


Fig. 4.5: Spatial distribution of Tesco hypermarkets

Source: own processing based on data on Tesco's website

Tesco has about 20 hypermarkets in the wider area of the Budapest agglomeration, while there are about 6 stores in the settlements on the shores of Lake Balaton. In addition to Budapest, Tesco's customers can now access the network's online services in Szeged, Győr, Székesfehérvár, Veszprém and seasonally in Siófok, making shopping available from about 103 settlements in the country. Fig. 4.5 shows that hypermarkets are located near major transport routes. Thus, areas such as the Dunántúli-hegység (Transdanubian Hills), Cserhát, the Zemplén Mountains, the Middle Tisza Region, Nógrád County (excluding Salgótarján) and most of Ormánság are excluded from the catchment area of hypermarkets. Thus, hypermarkets can be connected to the higher-income regions and cities of the country.

The economic and financial crisis of 2008 was followed by the financial turmoil of Tesco in 2014, which prompted the company to rethink on several fronts. On the one hand, it had to rationalise its store network and, as the second largest domestic UK employer, also had to take care of its employees, and this put another financial burden on the company (we would recall the 2017 strikes). In Hungary, as one of the most significant food retail companies in the country, Tesco needed new innovative solutions. It has been able to solve this in part by reorganising its stores, making its logistics network a hub system, and modernizing it internally, as well as adopting itself through environmental programs aimed at reducing food waste. It already implements its food rescue program in more than 100 stores, the main goal of which is to donate the daily surplus food for charitable purposes. It launched this campaign in 2014 and has since delivered food worth more

than € 7939,2⁷ million to those in need. This means more than 5.5 thousand tons of donations per day.

Lidl

Lidl appeared in Hungary in 2004, when it opened its first 12 stores. Today, it has more than 200 stores nationwide, 3 logistics centers (Székesfehérvár, Hejőkürt, Szigetszentmiklós) and more than 4,000 employees. It is currently first among food trading companies and the first in the discount category too. The German chain pays great attention to its Hungarian suppliers, supports the development of the Hungarian economy, and works only with suppliers whose products meet the requirements of the international market (Fig. 4.6). From 2014, a cash register management system are used in all Lidl discount stores around the world for short queuing.



Fig. 4.6: Spatial distribution of Lidl stores

Source: own processing based on data on Lidl's website

The Lidl discount chain shows a uniform, evenly distributed spread in the country, apart from two regions. The proportion of stores is exceptionally high due to purchasing power in the Közép-Magyarország (Central Hungary) region, especially in Budapest, where the number of discount stores is 34, but the Budapest agglomeration with a further 20 retail units shows a similarly favorable pattern. The weakest performing region is the Észak-Magyarország (Northern Hungary) region, where the purchasing power is the lowest and the number of stores is only 14 units (Tabl. 4.12, Fig. 4.6). Based on Lidl's business

⁷ At the exchange rate valid on 31 December 2014, HUF 314,89/EUR

strategy, it opened 2–4 stores in large cities and county capitals, and uniformly set 1-1 stores in small towns. Its site selection strategy is crucial to the company’s future as fierce competition is unfolding in the food retail market.

Tab. 4.12: Number of Lidl stores and their distribution in regions

<i>Region</i>	<i>Number of Lidl stores</i>	<i>Proportion of Lidl stores, in %</i>
<i>Nyugat-Dunántúl</i>	<i>17</i>	<i>10</i>
<i>KözépDunántúl</i>	<i>22</i>	<i>13</i>
<i>Dél-Dunántúl</i>	<i>23</i>	<i>13</i>
<i>Közép-Magyarország</i>	<i>54</i>	<i>32</i>
<i>Észak-Magyarország</i>	<i>14</i>	<i>8</i>
<i>Észak-Alföld</i>	<i>21</i>	<i>12</i>
<i>Dél-Alföld</i>	<i>21</i>	<i>12</i>
<i>Total</i>	<i>172</i>	<i>100</i>

Source: own processing based on data on Lidl’s website

Spar

Its history in Hungary began in the 1990s with the founding of the Austrian Spar International AG. Spar’s first store was opened in Tata in 1991, followed by the Komárom-Esztergom County pilot project, in the framework of which it acquired Generál Kereskedelmi Rt., which at that time operated most of the county’s grocery stores. The aim of the pilot project was to map the Hungarian market and analyse the possibilities of future investments here.

Tab. 4.13: Number of spar stores and their distribution in 2018

<i>Type</i>	<i>Number of stores</i>	<i>Distribution in percentage</i>
<i>Hypermarket</i>	<i>34</i>	<i>7</i>
<i>Supermarket</i>	<i>327</i>	<i>65</i>
<i>City Spar</i>	<i>18</i>	<i>4</i>
<i>Spar Partner</i>	<i>23</i>	<i>5</i>
<i>Spar Market</i>	<i>38</i>	<i>7</i>
<i>Spar Express</i>	<i>61</i>	<i>12</i>
<i>Total</i>	<i>501</i>	<i>100</i>

Source: own processing based on data on Spar’s website

Spar’s store network currently consists of 501 units and is made up of different types of stores. This is shown in Tab. 4.13. One of his first acquisitions was the Super Közért Vállalat in 1998, which was Israeli-owned. Even this year, they bought the Szeged-based Elikert. As a consequence of these two acquisitions, Tatabánya (10 stores) and Szeged (9

stores) became the two strongest bastions among the towns in the countryside. After the turn of the millennium, they continued their acquisition in 2002, when they acquired Billa's 14 stores, which continued to operate under the Spar logo immediately after the logo change. The 22 Kaiser's stores, which they bought a year later, they did not follow the same practice because the prestige of these stores was much higher due to their excellent quality, so it was worth continuing to operate them as a sub-brand.

For a long time, Spar took care to keep Kaiser's stores attractive, as these stores operated in high-income areas (e.g. Districts II and XI, Rózsakert Shopping Center, Rózsadomb Center, former Skála), although there were undoubtedly less profitable stores, such as the one in Váci út, which it was doomed to close due to low turnover and high rents. Spar's store network for 2009 was heterogeneous in structure, restructured in 2012 in the spirit of Dutch business philosophy (Tab. 4.13).

The Spar store chain won its current network form by 2015, which also opened up opportunities for further development for the company. During this period, its market position also strengthened significantly and it became the 3rd most important food chain in the country. Unlike Tesco, Spar did not strengthen in the hypermarket market, but increased the number of its supermarkets. It currently has 345 such stores, as opposed to Tesco's 43 supermarkets. There are two main rivals in the market of hypermarkets: Tesco and Auchan, but Tesco rules the hypermarket market to its competitors with 109 such stores.



Fig. 4.7: Spatial distribution of Spar stores
 Source: own processing based on data on Spar's supermarket website

The market coverage of Spar Supermarkets is characterised by the fact that it primarily focuses on Budapest, where it has 87 stores, but also shows full coverage nationwide (Fig. 4.7). The Spar Supermarket is the most widespread in Közép-Magyarország (Central Hungary) (132 stores) and in Közép-Dunántúl (Central Transdanubia) (60 stores), while there are no such stores anywhere in the disadvantaged areas of the country.

Coop

The Coop store network, as it is known today and with nationwide store coverage, dates back to the cooperative movements of the 19th century. At this time, self-organising agricultural and consumer cooperatives (such as Hangya) began to form, which provided food and other basic goods to their members and their family, and later through their rapidly developing store network to the population of one (mainly small) settlement.

Coop's retail chain takes constantly the 2nd or 3rd place in the domestic retail competition based on sales turnover data for the past two decades. Its annual sales revenue in 2019 was € 1945,4⁸ million, which ranked the company 4th in the FMCG ranking. (Annual revenue was € 1851,9⁹ million in 2010, according to Trade Magazine's retail ranking data) (Trade 2011).

Due to its historical development, Coop has always been strong in the countryside, a significant part of its stores are small shops operating in villages, while the international chains that appeared in Hungary after the change of regime focused primarily on the metropolitan and urban environment. The latest retail developments are also implemented in a metropolitan environment, in line with urbanisation trends and emerging economic growth poles. Convenience stores (City Spar, Tesco Express), gas station-related stores (Spar Express), ready-to-eat and even on-the-go stores (Spar to Go) are all adapting to the 21st century metropolitan lifestyle, meeting the needs that arise here. However, the vast majority of Coop's stores are located in small towns where, in many cases, they are the only local store playing a key role in catering to the population. Coop is thus primarily a "rural trader," which does not mean that it is not present in large cities (Fig. 4.8).

However, it is important to see that while competitors have an annual sales turnover generated by a few hundred stores, Coop has a similar level of sales from thousands of stores, meaning the network consists of a magnitude larger number of elements, which also raises efficiency and thus competitiveness issues. The number of stores in the Coop store network also started to decrease, between 2006 and today the number of stores decreased by about 25% together with the opening of many new Coop stores in many settlements.

⁸ At the exchange rate valid on 31 December 2019, HUF 316,39/EUR

⁹ At the exchange rate valid on 31 December 2010, HUF 275,40/EUR

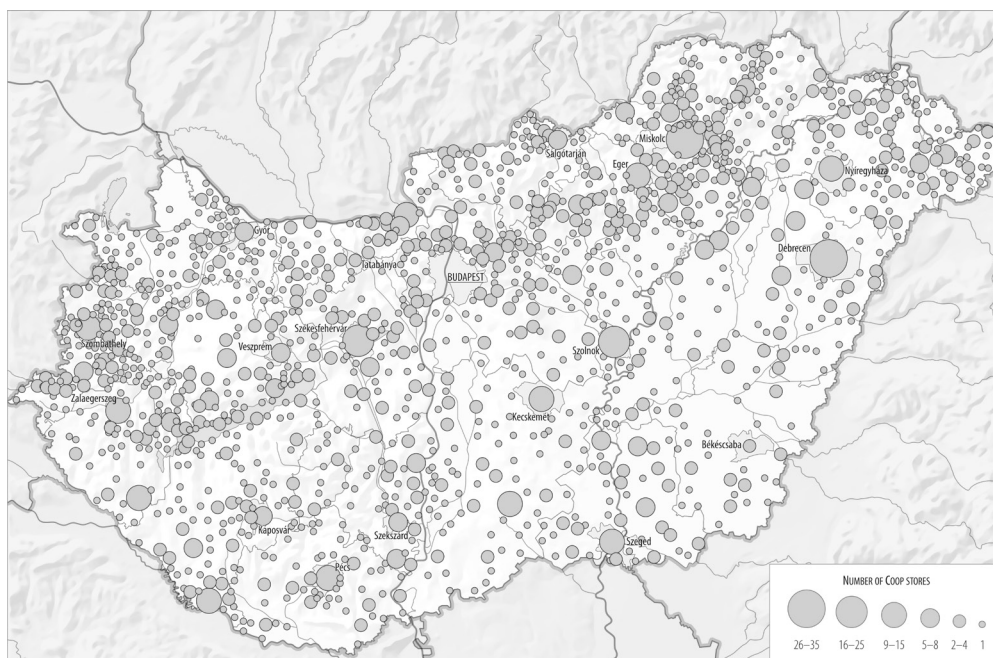


Fig. 4.8: Spread of Coop stores

Source: own processing based on data on Coop's website

Coop is a key member of the Hungarian food trade, mainly due to its large network covering small settlements. The company will play an important role in sustainable food trade today and in the near future, as Coop is the only retailer in many areas and settlements that provides foodstuff to the local population. However, while its social significance is beyond dispute, a declining population with a lower income than the national average is less and less able to provide the basic conditions for successful business operations. The key to Coop's business success in the future is how it can take advantage of its high market coverage, adapt to customer expectations and demand, and compete with more efficient competitors. To achieve this, it is essential to innovate business and marketing processes, develop new types of convenience stores (similar to their competitors) in the metropolitan market environment, introduce online and omnichannel (multi-channel) sales solutions, further streamline the existing store network, logistics system and merchandise in general. significantly increase the efficiency of its entire system.

CBA

In the second half of the 1970s, the competitive position of in-store retailers in Europe was somewhat strengthened by the creation of voluntary trade groups (e.g. Spar or VG in the food line, Osmat in the hardware trade, Arden in the clothing line). In Hungary, CBA Kereskedelmi Kft. can be considered a similar formation, which was formed by a merger of 10 traders in 1991. The members of the association set up a central warehouse in

Óbuda, in which all members were also co-owners. There are 174 stores in Budapest and about 500 stores in other parts of the country. The shops in Budapest are located in the Buda Hills and in the city center. The floor space of the stores varies between 50 and 3200 m², but most of them are general food stores of 200–600 m² (Fig. 4.9).

Upon joining the CBA system, each member had to pay 5% of its monthly turnover into joint working capital training to finance the central stock. CBA members are self-employed, but procurement and marketing activities together. CBA was able to move from a purchasing association to a commercial chain in 1996, which required dynamic development in the market “with the formulation, purchase and operation of the new central warehouse it was possible to purchase stock that exceeded to storing capacity of the stores, which, by purchasing the goods in large quantities, greatly contributed to setting very favorable consumer prices” and to move forward in market competition.

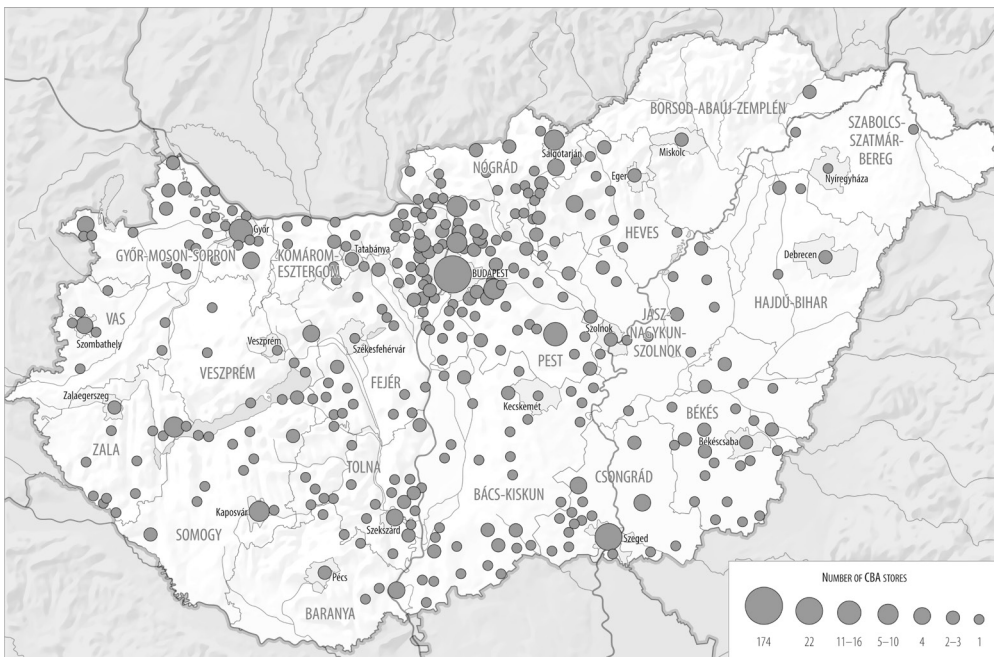


Fig. 4.9: Spatial distribution of CBA stores

Source: own processing based on data on CBA’s website

Until 1998, the CBA focused mainly on the areas of Budapest, after which its rural expansion began. This process was accelerated by the opening of the new warehouse in Alsónémedi in 2001. They play a significant role in the market range of the Hungarian food retail in Budapest, the Central Hungary region, the settlements in Balaton region (Balatonmellék), the settlements of Győr-Moson-Sopron and Csongád counties. It also played a decisive role in Nógrád county through the Palóc Nagyker (Wholesale) franchise partner, but this was closed down in 2017, after three years of generating losses. The loss-making stores were partly closed down and partly acquired by competitors (such as Spar and Coop). Currently, CBA is in an increasingly difficult market position, having disposed

of several of its businesses, which have been acquired and leased by Spar and Lidl. The Hungary-based food retail chain has lost its previous dynamism but is able to innovate through its new strategy. This means that it is extremely adept at adopting the market methods of multinational companies and the company seeks to strengthen further developments by involving franchise partners. CBA strives to target the customer base for whom it is important to buy a Hungarian product, on which the marketing strategy of the entire network is based: “The Hungarian store chain”, “Because it is Hungarian”. In its communication, the company always emphasizes that this is the only chain in Hungary with all Hungarian owners. They procure their products at home from Hungarian entrepreneurs and producers.” (Dzindzisz 2017).

4.8 Shopping centres¹⁰ and food retail

The link between shopping centers and the food retail is extremely close, as shopping centres integrate individual members of hypermarket and supermarket chains. Grocery stores are the dominant magnetic stores in shopping centres. Smaller centers can be maintained by a hypermarket or a supermarket. In the case of centers, these retail units are also decisive in terms of purchasing power, as a significant part of the turnover is realised through them. Thus, in this chapter, we consider it appropriate to examine the development of each generation of shopping centres and the development of its network in detail.

In the following the seven generations of shopping centres will be examined:

Generation 1: “The dawn of opening”, 1976, Generation 2: “Early golden age”, 1980, Generation 3: “Western style” 1993—1996, Generation 4: “The age of dynamic development” 1997—2000, Generation 5: “The age of rivalry” Generation 6: “The age of stabilisation” 2004—2008, Generation 7: “The period of hope” 2009—2021.

In the course of our analysis by using the Voronoi diagram, we cover the changes which have taken place in the spatial structure in the capital and in the countryside in the last 30 years, and also re-define the types of shopping centres.

4.8.1 In Hungary from the beginning

In the framework of this chapter, we review the network of shopping centres in Budapest and in the countryside, define the periods of each generation, and finally present the types of shopping centres established for 2017. Based on our research so far, we have separated

¹⁰ Shopping centre: A group of retail and other commercial establishments that is planned, developed, owned and managed as a single property. On-site parking is provided. The center’s size and orientation are generally determined by the market characteristics of the trade area served by the center. The two main configurations of shopping centers are malls and open-air strip centers. <https://eduardoquiza.files.wordpress.com/2009/09/scdefinitions99.pdf>

four generations of shopping centres (Sikos T. 2000; Sikos T. and Hoffmann 2004, 2012). We extend this system to three more sections within the framework of our present study. Thus, we define a total of 7 generations of centers. The development and dynamics of the Hungarian economy had a significant impact on the development of each generation.

Currently, there are 38 shopping centres in Budapest on about 965,707 square meters, and this network will be expanded with two more centers by 2021 (Etele Plaza Shopping Center, Aquincum Shopping Center), and the sales floor will be expanded by about 100,000 m² net. The total number of stores in the centers is 4,531, which means that there are on average about 119 stores in one center. Of course, the number of stores between the centers varies considerably: the smallest number of stores is 10, while the largest center has 432 stores.

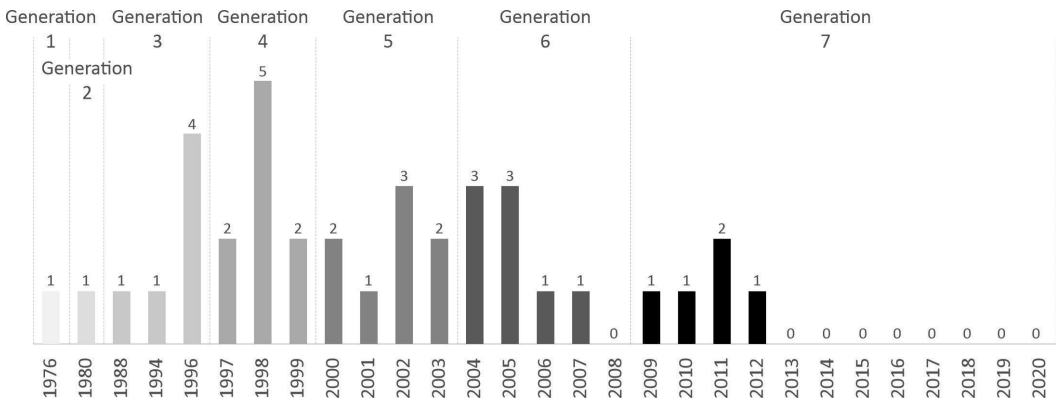


Fig. 4.10: The number of shopping centres opened in the given years in Budapest (1976-2020)

Source: own processing based on MBSZ [Hungarian Council of Shopping Centers] 2020

4.8.2 The 7 generations of shopping centres¹¹

Between 1976 and 2020, about 38 shopping centres were built in Budapest, and within this period we can distinguish 7 generations (Tab. 4.14).

The dawn of opening

The first-generation shopping centres, the Flórián Shopping Center (Fig. 4.11) and Skála in Buda, opened in 1976. Today, of these only Flórián operates on 17,760 m². The Skála Cooperative Department Store was demolished in 2007 and replaced by the Allee Shopping Center (2009) with a floor area of 46,700 m². The Skála department store in

¹¹ This chapter is based on the following, already published study: Sikos T. (2018): A budapesti bevásárlóközpontok hét generációja 1976–2017. [Seven generations of shopping centres in Budapest] Észak-magyarországi Stratégiai Füzetek. Gazdaság-Régió-Társadalom, 15. évf. 1. sz. 107–116.

Buda and then the shopping centre was a symbol of the consumer society of the late Kádár era, its structure was modeled on La Stafa in Vienna. With this, they also tried to bring the experiences of Western consumer society closer to those of Hungarian consumers. Even during their appearance, the first-generation shopping centres did not influence the development of the retail structure, but rather only coloured the store palette.

Tab. 4.14: Generations of shopping centres, 1976–2017

<i>Name</i>	<i>Name of generation period</i>	<i>Period</i>	<i>Number of malls</i>	<i>Total floor area of malls built in that period (m²)</i>
<i>Generation 1</i>	<i>The dawn of opening</i>	<i>1976</i>	<i>2</i>	<i>17,760</i>
<i>Generation 2</i>	<i>Early golden age</i>	<i>1980</i>	<i>1</i>	<i>22,000</i>
<i>Generation 3</i>	<i>Western style</i>	<i>1993–1996</i>	<i>5</i>	<i>105,304</i>
<i>Generation 4</i>	<i>The age of dynamic development</i>	<i>1997–2000</i>	<i>11</i>	<i>278,611</i>
<i>Generation 5</i>	<i>The age of rivalry</i>	<i>2001–2003</i>	<i>6</i>	<i>200,313</i>
<i>Generation 6</i>	<i>The age of stabilisation</i>	<i>2004–2008</i>	<i>8</i>	<i>205,804</i>
<i>Generation 7</i>	<i>The period of hope</i>	<i>2009–2020</i>	<i>5</i>	<i>180,575</i>

Source: own processing based on MBSZ [Hungarian Council of Shopping Centers] 2017



Fig. 4.11: Flórián Üzletközpont, the last remaining first generation shopping centre

Source: author's photo

Their general feature was small floor space, few parking spaces; the latter is also understandable, as even during this period the number of private vehicles was small. The range of goods of these centers did not differ significantly from that of the traditional shops, so the structure of the retail trade that had developed so far was not changed.

Rather, structural formation was a novelty. These retail units can be considered the socialist type forerunners of the Hungarian shopping centres.

Early golden age

The Sugár Shopping Center (Fig. 4.12) was opened in 1980, which was the only Hungarian representative of the second-generation shopping centers with 22,000 m². Today, the Árkád 1, built in 2002, then the Árkád 2 and the IKEA centers, built in 2013, are organically connected to the department store, having attracted and still attracting customers. Due to its favorable geographical location, Sugár is still significant today and plays an important role in the supply of the Füredi út housing estate among the retail centers. Its primary catchment area exceeds 300,000 people, while its secondary catchment area also extends to the eastern borders of the Budapest agglomeration.



Fig. 4.12: Sugár Shopping Center in the second part of the 1990s and today

Source: Bassa László, HCSC

Sugár currently has 91 stores and in its heyday it had more than 15 million customers a year - eight times more than the population of the capital then - but even today there are 10 million customers due to the IKEA furniture store and the proximity of the Árkád, and that it is easily accessible to 53% of visitors by 5 different means of public transport. Its product range primarily meets the needs of the middle classes. It opened as the country's first "almost western-type" shopping centre and attracted shoppers with its famous slogan, "Sugár is just a jump away".

Western style

Between 1993 and 1996, 5 shopping centres were opened in the capital with an area of 105,304 m². Outstanding among these centers were the Duna Plaza (42,000 m²) and the Pólus Center (56,000 m²), which opened in 1996 and were already real "western-type" centers. The Duna Plaza was modeled on European shopping centres, while the Pólus

Center followed the architectural solutions of American shopping centres. These centers featured design elements and solutions that later characterised domestic centers, such as the ice rink or later, after the redevelopment of the Duna Plaza, the waterfall that appeared after the opening and idea of the WestEnd City Center and became dominant for a period of time, while the resting area and playhouse were not built there.

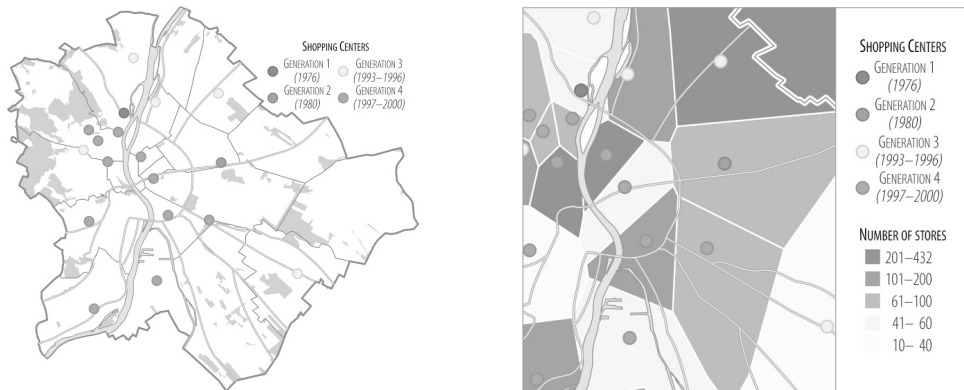


Fig. 4.13: Generation of shopping centers in Budapest and the spatial structure of retail trade, 1976–2000

Source: own processing

The unique image of the Pólus Center included the “Western Village” as a design element, as well as the skating rink, which also aimed to dissolve the monotony of the center. These new solutions in the malls simultaneously served relaxation, shopping; the more time customers spent at the centers, the more services they used. The established centers were structurally different: the Pólus Center was built as a single-storey complex, while the Duna Plaza was built and still operates as a multi-storey facility. In the mid-1990s, they topped the ranks of Budapest’s malls, with only WestEnd City Center and Mammut taking the lead. The spatial analysis of the capital also proves (Voronoi polygon) that until the turn of the 20th century, Pólus Center remained dominant (Fig. 4.13). By the end of the 1990s, the centers built in the third-generation phase were located on the periphery of the shopping centre network, during which time the dominant commercial units operated in the cities of Buda and Pest.

The age of dynamic development

In the period of the fourth generation of shopping centres, between 1997 and 2000, 11 centers were built on a floor area of 278,611 m². Among the centers of this period, Mammut and WestEnd City Center also stood out, which are still the determinants of domestic retail to this day. The advantage of the centers located in the brown zone - they were built on the Ganz and MÁV areas – is reflected in the lower real estate prices, and in a large gravity zone with people with higher income.

Fourth-generation malls – or, in other words, shopping centres in a period of dynamic development – had a significant impact on shoppers' habits, requiring households to develop new shopping strategies. By this time, weekend shopping as a joint family program had become almost common. During this period, shopping centres opened not only in the inner city but also in edge of the city where there is a lack of centers: such as Europark in Kispest (1997, 26,710 m², 65 shops), Csepel Plaza on Csepel Island (1997, 13,783 m², 54 shop) or Campona in Nagytétény (1999, 40,905 m², 160 shops). The special feature of all three centers was that they were built to supply their immediate catchment area and due to their geographical location, they practically did not even have a competitor within their market area for a long time. In the case of Europark (known as Shopmark from 2018), the change was brought only by the year 2011, when KÖKI opened on 58,000 m² with 200 stores. Campona, on the other hand, overcame its initial difficulties, raising its previous 80% occupancy to 100% thanks to its unique image, to which the opening of the Tropicarium made a significant contribution. In the dynamic development phase of the development of shopping centres, the centers were located primarily in higher-income areas, and secondarily in areas with a lack of business units (Fig. 4.13).

The age of rivalry

The fifth-generation shopping centres - six in number - were built between 2001 and 2003 on 200,313 m². Even during this period, it was clear that the shopping centre market was highly segmented, with winners and losers and stagnant centers emerging. The winners were WestEnd City Center, Mammut 1-2 and Arcade. (Fig. 4.14) The winning centers owe their success to their well-thought-out site selection policy.



Fig. 4.14: Árkád and WestEnd City Center are market leaders even today

Source: HCSC

However, there were also a large number of losers among the market players, the failure of which was largely due to their relocation to the area with low purchasing power. As early as 1997, barely a year after the opening of the first western-type centers, the first big loser in the shopping centre market was Duna Ház, which was built as a hotel for the

Budapest World's Fair and then transformed into a luxury residential building to which a shopping centre with 50 stores was connected, with an actual occupancy rate which did not reach 70–80%. The stores changed and changed profile extremely quickly, essentially a stable business structure did not develop, the lack of which ultimately made the center unprofitable. In terms of its nature, Duna Ház is still a luxury residential building rather than a commercial establishment.

Lurdy House (Fig. 4.15) was similarly disadvantaged a few years later, the failure of which was caused by its location in a deprived area and the low population density. The fate of the center was eventually sealed by the bankruptcy of MALÉV and its withdrawal from the office building, the mall has only been vegetating since then, even the proximity of Praktiker did not help much in his situation.



Fig. 4.15: Duna Ház and the Lurdy Ház the losers of the market of shopping centres

Source: Bassa László, HCSC

In the case of Új Udvar and Rózsadomb Center, in addition to the incorrect choice of location, their situation was further aggravated by the unfavorable business mix and the poor morphological characteristics of the department stores. There are some centers already in this period that have lost significantly from their previous leading position, such as the Duna Plaza and the Pólus Center. This was mainly due to fast-reacting competitors and the market penetration of more modern complexes. The so-called domino principle plays a decisive role in the shopping centre market: according to this, the order of strength of the shopping centre market is constantly being re-evaluated because of the newly entering centers. Between 1976 and 2003, about 2/3 of the current shopping centre network was built, 25 centers with a floor area of 609,393 m², which also meant that customer habits changed significantly, and purchases began to shift to more convenient, comfortable shopping centres with more affordable prices. At the same time, this resulted in a constant break away from the traditional form of sales, with self-service sales playing an increasingly important role, which was very much loved by customers. After rivalry and competition with each other, stable centers with good traffic were formed.

The age of stabilisation

The facilities, which form the sixth generation of shopping centres, were built between 2004 and 2008: 8 centers with a floor area of 205,804 m². This period of shopping centre development was characterised by the further expansion of the centers, with three retail units really standing out for their size: Savoya Park with 70 stores on 35,000 m², Material Center with 60 stores on 40,000 m² and Aréna Plaza 65 518 m² with 200 shops. Undoubtedly, the most successful facility of the period became the latter, which was also the largest shopping centre in Hungary during this period, and became a serious competitor to Árkád, which opened in 2007 (48,000 m²). The expansion of Árkád began in 2012, and in 2013 the re-modelled center was opened, which was already ahead of the Aréna Plaza in size (68,000 m²). The stabilisation period of the centers was characterised by market competition and a stable customer base (Fig. 4.16).

As it can be seen, the market of shopping centres expanded continuously until 2008, and the spatial structure of retail trade and the ranking of individual centers were clearly outlined (Fig. 4.16).



Fig. 4.16: Generation of shopping centers in Budapest and the spatial structure of retail trade, 1976–2020

Source: own processing

At the same time, in addition to stabilisation and expansion, problems have begun to emerge in the market of shopping centres. As an example, the Material Center (2006) can be mentioned, which opened primarily as a home improvement store and then became loss-making after a relatively short time and required to develop a new profile (office profile), but it did not really bring success either. Moreover, among the stores operating in its neighborhood, KIKA went bankrupt and was acquired, and Domus Áruház was also closed permanently. Currently, the Material Center (Fig. 4.17) is in liquidation, and the liquidators have not been able to sell the center of a value of more than € 14 million¹², even after several attempts, even not for less than € 9 million. In the home furnishing market, the failure of the centers was caused by a significant change in customer demand, the financial and economic crisis of 2008, and the indebtedness of customers in Swiss francs.

¹² At the exchange rate valid on 1 April 2021 HUF 358,67/EUR

By the end of this period, there were several plans to shape the market of shopping centres that were ultimately not implemented. Such was the planned mall at the metro terminal in Mexikói út, Origo City (in Mázsa tér), Neo Center (in Határ út), Mundo (in Bosnyák tér), Aquincum Shopping Center (at Filatorigát), but also at the western gate of the agglomeration several shopping centre project plans had similar fate, such as the Tópark giga project or the Wedding Plaza (both in Biatorbágy). These failures are a very good indication of the state of the Hungarian economy.



Fig. 4.17: The liquidated Material Center and Aréna Plaza

Source: Google Earth, Aréna Plaza

The period of hope

In the seventh period of the development of shopping centres in Budapest, 6 centers were opened on about 180,575 m², four of which were decisive in size: the Allee shopping centre (2009) on 46,700 m² with 132 stores, and the Corvin Plaza (2010) on 34,600 m² with 139 stores, KÖKI Terminal (2011) opened on 58,000 m² with 200 stores and finally Árkád 2 (2013) opened on 20,000 m². The Allee shopping centre (Fig. 4.18), which was opened in 2009, is a good example of how to replace an old, outdated center (in this case, the Skála Budapest Cooperative Department Store) in an excellent location with high traffic and build a shopping centre that meets the requirements of the age. This, too, has classically become an investment that started in the years before the crisis, and the complex was opened in the years of the crisis, making it significantly more difficult to set off.

The start-up of the KÖKI Terminal also encountered great difficulties, partly due to the planning of the transport network and partly due to the unfavorable site selection. $\frac{2}{3}$ of the center was built in part from a state loan, but the investor met financial difficulties by 2012, so they are trying to sell the center to a liquidation company. The difficulties of KÖKI are caused by several things: partly the poor design of the complex, the use of the interior space (as the most valuable areas are part of the bus terminal), but also the unfavorable internal structure of the building as well as the business mix. Last, but not least, it is located in an area that is difficult to reach. All in all, it is no wonder it is poorly utilized. The last major investment of the 2008–2017 period was the Árkád 2, which was also very difficult to start due to the financial and economic crisis and required a major

reorganisation of the building in order to be fully operational. Today, Árkád has become one of the market-leading centers in Budapest. No new shopping centre has been opened in the capital since 2013, although there were many plans: for example, WestEnd II was planned for a longer period in the north of WestEnd. Mammut III was also planned, but for the time being these visions remain visions due to the low rate of return created by the crisis, and we can only hope that market conditions will improve in the future and plans will be implemented. However, there is also a bold initiative, which is a new hope in the shopping centre market, the Etele tér shopping centre in Kelenföld, which will be opened in 2021 (55,000 m², with 180 units).



Fig. 4.18: Allee shopping centre and KÖKI Terminál

Source: HCSC

4.8.3 Shopping centres in Hungary

The number of shopping centres in the countryside is 85 (Fig. 4.19), with a floor area of 1,118,844 m², with 2,985 shops, and the average number of shops in the centers is 119 units. There is a significant difference in the number of stores between the individual centers: there are 43 stores in the smallest mall and 283 in the largest center.

The construction of centers in the countryside started later than that of the network of shopping centres in Budapest, and it was far from being smooth. In essence, the development of the network can be divided into two periods, the period of dynamic development of shopping centres (1996–2000) and the period of stabilisation (2004–2008).

Szil-Coop / Szilvási és Társa Bt. (Fig. 4.20) opened in Kecskemét on June 21, 1996 as the largest retail facility. Its catchment area (of a maximum of 30 km) included about 250,000 people.

The location of the center is advantageous in terms of transport: it is located next to a road and is preceded by significant urban traffic. In the immediate neighborhood there

is a market and lines of shops, with a relatively poor supply and selection, so they do not represent real competition. Nearby there is a smaller and a larger housing estate, a college and hospital, as well as a residential area with detached houses. Among other things, this is due to the large number of attractive urban residents.

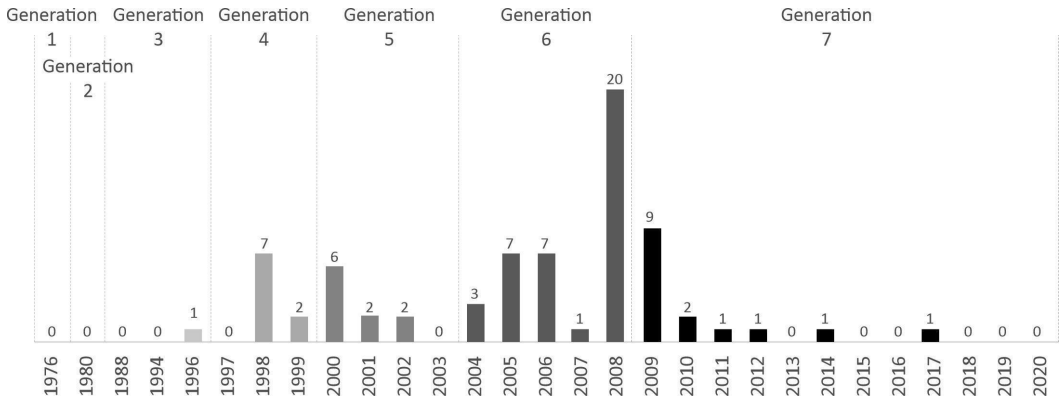


Fig. 4.19: The number of newly opened shopping centres in the country, 1976–2020

Source: own processing based on HCSC (2020)



Fig. 4.20: Szil-Coop in Kecskemét

Source: Google Earth Pro (2013)

The next period of shopping centre investments was broken by the financial and economic crisis, only 6 centers were built after 2009, which were also more the result of the completion of the construction already in progress. Only 49 cities share the 85 shopping centres built in the countryside (Fig. 4.21).

A significant part of the countryside shopping centres opened in the territory of Pest county, 10 in number, followed by Győr-Moson-Sopron county with 8 centers and Zala county with 8 centers. The fewest are in Komárom-Esztergom, Heves, Tolna and Jász-Nagykun-Szolnok counties (2–2), and the country has only one county where there is no shopping centre at all: Nógrád county. The territorial differentiation of the established shopping centre network is partly explained by the fact that the population of the counties is different, and the purchasing power of the regions is very diverse. The rate of development of shopping centres between counties is related to the distance from the capital, the purchasing power and the cross-border role of counties.

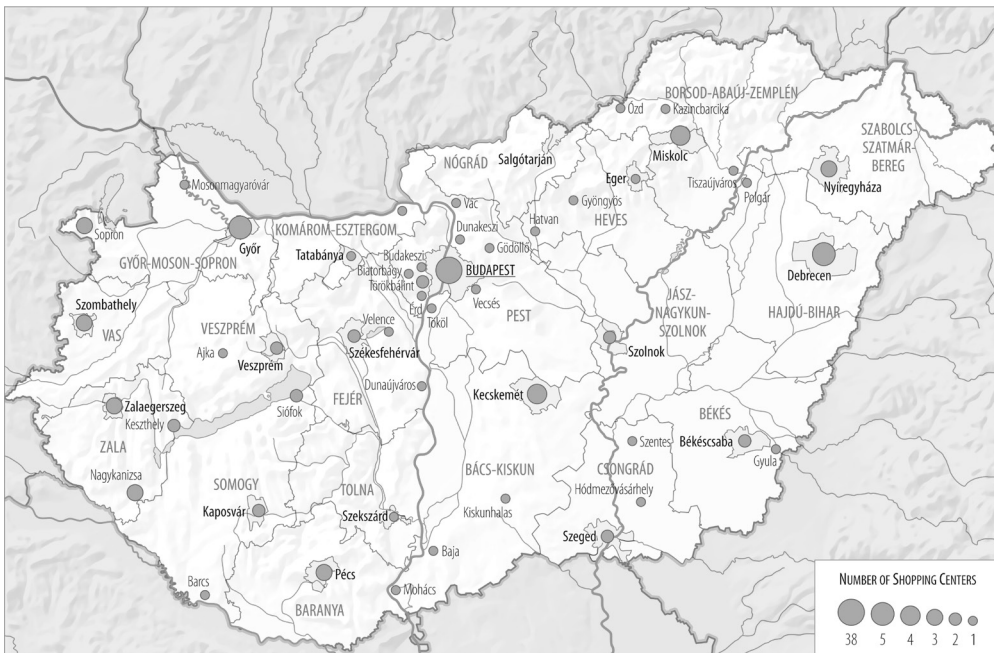


Fig. 4.21: Spatial distribution of shopping centres in the countryside

Note: The number under the symbols indicate the number of malls in the settlement

Source: own processing based on HCSC (2020)

The two largest centers are Market Centrál Ferihegy with 44 stores on 44,000 m² and Árkád Szeged with 130 stores on 41,000 m². Among the centers in the countryside there are two other larger malls, the Árkád Győr with 36,000 m² and 120 stores, and the Csaba Center with 144 stores on 37,000 m². It can also be seen in Tab. 4.15 that there are 12 medium and 75 smaller centers in the network with a small number of retail premises (on average 26 units / center). Among the centers in the countryside there are also 14 shopping centres where the number of retail units does not exceed 15 units. This number is seemingly low, but these are additional units, so this number is acceptable.

Tab. 4.15: Shopping centres in the countryside according to their sizes, 2020

<i>Shopping centres in the countryside</i>	<i>Large¹</i>	<i>Medium-sized</i>	<i>Small</i>	<i>Total</i>
<i>unit</i>	2	12	75	89
<i>Gross size (m²)</i>	85,657	345,535	742,489	1,173,681
<i>Average size (m²)</i>	42,829	28,795	9,900	13,187
<i>Total number of shops</i>	164	852	1,963	2,979
<i>Average number of shops</i>	82	71	26	33
<i>Average size of shops (m²)</i>	522	406	378	394

Source: HCSC (2017), http://www.mbsz.hu/resources/doc/MBSZ_2020.pdf

Tab. 4.16 draws attention main operators of shopping centres. There are currently 4 operating companies in Hungary that manage almost half of the centers (Immofinanz Service Hungary Kft., Cushman & Wakefield Kft., Diófa Ingatlankezelő Kft. and Mall Management Kft.).

Tab. 4.16: Main operators of shopping centres, 2020

<i>Number of shopping centres operated</i>	<i>Number of companies</i>	<i>Number of shopping centres</i>	<i>GLA (m²)</i>	<i>Number of leased units</i>
8–21	4	64	884,860	2,559
5–7	2	10	257,790	752
2–4	5	12	148,953	442
1	47	47	878,000	3,574
<i>Total</i>	58	133	2,169,603	7,327

Source: HCSC (2020), http://www.mbsz.hu/resources/doc/MBSZ_2020.pdf

The year 2017 marked a turning point in retail turnover. It rose to 5.3%, which encouraged both investors and tenants to dare to plan more boldly and start making their investments. However, in the relatively saturated shopping centre market in Budapest, the opportunities were already scarce, which is why investors turned their attention to the countryside, despite the fact that the next shopping centre will be built in the capital by 2021. Yet another potential opportunity for the expansion of shopping centres lies in the expansion of networks in the countryside. In Hungary the retail space per 1,000 people is 127 m², compared to around 245 m² in Central & Eastern Europe and around 371 m² in the neighboring Austria (Cushman & Wakefield 2018). These numbers also prove that the continuous expansion of retail turnover provides an opportunity for investors to think seriously about expansion, and to this the best area the countryside. Of course, considering the rural purchasing power potential, significant territorial

inequalities can be detected, which are also reflected in the current network structure. According to GKI's estimate, the average purchasing power in 2016 was € 3,881,61¹³ at the settlement level.

Of course, there were significant differences between the settlements, the difference between the poorest and the richest settlements is about € 9,704,0. The per capita consumer index of the settlements and regions of Észak-Dunántúl (Northern Transdanubia) and Közép-Magyarország (Central Hungary) (Komárom-Esztergom county 111.5, Fejér county 110, Pest 104.8) is the strongest, while the weakest value can be found in Észak-Kelet-Magyarország (North-Eastern Hungary) and Dél-Alföld (Southern Great Plain) (88.4 in Nógrád county, 87.1 in Bács-Kiskun county, 89.1 in Békés county, taking the Hungarian average as 100). The development of favorable and unfavorable values is related to the employment rate of the regions and the market presence of competitive enterprises, their income-generating ability.

The Voronoi diagram of shopping centres in rural areas shows the spatial arrangement of shopping centres (Fig. 4.22), and the spatial distribution of the purchasing power index and labor income explains the current spatial distribution of the network structure. Regions of the country that have a small number of shopping centres or lack a store, i.e. have low potential purchasing power, do not allow the centers to operate at an optimal size. Thus, the centers cannot settle in these areas, which results in the lack of malls. As a result, a significant part of the Edelény, Encs, Szikszó districts, Ormánság, Szabolcs-Szatmár-Bereg and Tolna counties, as well as the entire area of Nógrád county are in short of shopping centres. The performance of each county can be measured by the size of the gross domestic product per capita. In this respect, Budapest (202%) and Central Hungary (151.7%), as well as Western Transdanubia (109.5%) perform really well, while Nógrád (43.3%), Szabolcs-Szatmár (56.6%), Somogy (61.5%), Baranya (64.8%) counties produce values well below the national average (100%). These values show a similar spatial distribution as outlined earlier for purchasing power. The distribution of gross domestic product (GDP) by county are large differences between regions, and only a very small number of regions stand out in terms of their contribution to GDP. It should be noted here that a larger share of this is provided by cities, and almost 80% of GDP by Budapest.

The right site selection for shopping centres will fundamentally determine their future success or failure. An important condition for success is an accurate knowledge of purchasing power, and this can be supported by assessing the income-generating capacity of the regions. Today, the mall market is highly segmented, partly as a result of site selection and partly as a result of the time it has taken for seven generations of malls to emerge. Currently, there is a strong competition in the market of shopping centres to win the best possible positions. Of course, there will always be even bigger losers and winners than ever before in this fight. The centers must also recognise that they need to be renewed from time to time, in order to maintain their position, as has been the case with Duna Plaza, for example. At the mature stage of site selection, the location of

¹³ At the exchange rate valid on 31 December 2016, HUF 309,15 /EUR

shopping centres cannot be chosen at random. It is time for randomness to be replaced by thorough site selection strategies. A new strategy is needed not only to design new shopping centres, but also to re-evaluate the future role of the existing ones.

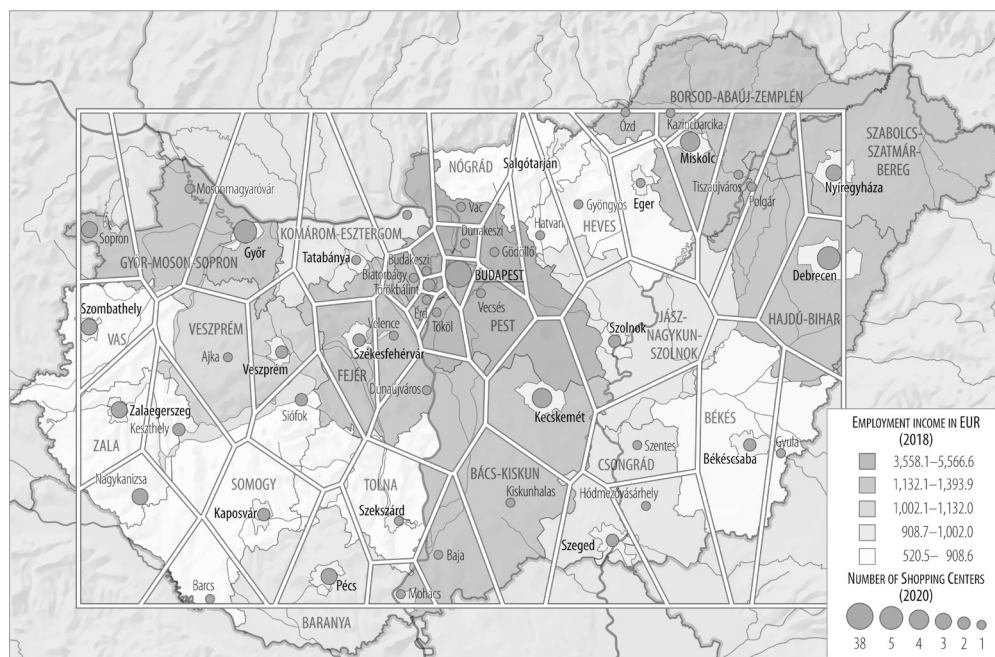


Fig. 4.22: Spatial distribution of shopping centres in the countryside in 2020 by the Voronoi diagram and employment income in EUR

Source: NAV [Tax Authorities] 2016

It is very likely that the construction of shopping centres will take a new direction in the future, and particularly hypermarkets will be given higher priority, and in addition to the expansion of shopping centres in Budapest, we can expect the construction of new, mainly outside of Budapest, centers in economically dynamic regions. However, the construction of shopping centres will only be successful if investors pay more attention to the optimal choice of locations.

The significant process of concentration that has already begun in the market of shopping centres will be further intensified in the future, where “big fish eat small fish”. Furthermore, the increase in the number of hypermarkets and discount chains and the further intensification of competition must be expected. This is why individual chains are merging, for example, both in the domestic and global markets, e.g. through the joint sourcing platform of Tesco and Carrefour, but similar efforts have been made on the sales line through the marriage of the online store of Auchan and Alibaba Group or that of Walmart and Google, but similar concentration can be expected for Ahold and Asda. The use of robot technology in retail trade will be more important than in logistics, especially regarding significant labor shortages and increase in efficiency. The above factors will greatly lead to the modernization of trade, and over time, “smart retailing” will become

the determining factor in trade. This process has been significantly accelerated by the COVID-19 pandemic, which brought the launch of new innovations forward by 5–10 years.

4.9 The impact of COVID-19 pandemic on retail sector

The COVID-19 pandemic had a significant impact on the FMCG sector both internationally and in Hungary and the resulting shocks affected both consumers and retailers. The resulting changes also affected the consumer behaviour of the different generations, especially the Y and silver generation. Although the digital maturity of the two generations is markedly different and the consumer preferences, income levels and exposure to the pandemic are different for each age group, it is important to analyse the response strategies of these generations (Sikos T. and Kovács 2019). The first wave of the COVID-19 pandemic also resulted in a sudden and unprepared shift to teleworking and home offices in many workplaces and job functions. The use of teleworking in Hungary was significantly below the European average until the outbreak of the coronavirus, but the spread of the virus has forced many people into this situation. The curfew restrictions led to a complete loss of work-life balance for some workers, with a number of advantages and disadvantages. The elimination of travelling to work, the constant online presence, the fear of viruses and the lock-in have also had a marked impact on shopping habits. The more importance of online shopping in the retail sector has increased. The economic crisis caused by the COVID-19 pandemic was a shock to both demand and supply in the retail sector. On the one hand, customers' behaviour changed as a result of the spread of the virus (panic buying, changing product preferences, and later revenge shopping) and changes in income conditions. The transformation of the retail sector was already dynamic before the COVID-19 pandemic, with the introduction of new technologies and business models, but digitalisation, online and multichannel sales, digital payment technologies, home delivery, spread among retail companies with a scale and dynamism never seen before during COVID-19. The vast majority of international retailers operating in Hungary (even in the FMCG sector) had embarked on the digitalisation journey before the COVID-19 pandemic, and domestic retailers, especially domestic SME retailers, were caught unawares and partly unprepared for the pandemic and its business challenges. The second wave has already triggered transformations, some of which could lead to structural changes affecting the whole industry.

The year-on-year decline in the number of shops – in the order of thousands – is compounded by the forced closures resulting from the lack turnover. However, this is not only due to inefficient businesses, but also to the inability of retailers to maintain their shops in prime locations in traditional urban locations. The changes that will take shape over the next three to five years can only be sketched out indirectly, as there are no visible support policies and concentration processes in the retail sector. In the meantime, technological developments in companies and changes in shopping habits are affecting the sector's scope for manoeuvre. On the one hand, the behaviour of supply-side players has changed, driven by opening hours regulation, the sudden increase in demand for certain products, the rise in demand for multichannel sales and digital payments, and on

the other hand, consumer behaviour has changed. Some purchases have been shifted to online platforms, while shoppers in physical stores have spent less time shopping and product preferences have changed. Digitalisation has seen unprecedented growth, with internet penetration reaching almost 90%. The key question for the future is how the ratio of offline to online retailing will change and what changes can be predicted in the business models of retailers? How will sales models shift from a multi-channel sales model to a cross-channel model to omni-channel systems. Firms have to face the fundamental change that supply chains in today's global economy are becoming longer and more complex, and therefore face a number of new threats to their operations. Since the last decades, we have witnessed an increasing number of phenomena that are creating vulnerabilities in supply chains. The main challenge of supply chain management is how the members of the chain share the benefits and associated risks, so that the benefits and risks are different for each member of the supply chain. It is clear that risks are closely linked to sustainability requirements. In this respect, ecological, economic and social risks can generally be identified, but also crisis situations, natural disasters and terrorist threats. These changes and the global pandemic situation have created new cybersecurity challenges for both public and market players. Many organisations have had to switch to teleworking almost overnight and develop a working environment in which they can ensure business continuity in the changed circumstances. The Coronavirus has accelerated digital transformation in many areas of life, with many small businesses having to rethink their business policies. However, a significant proportion of organisations were not adequately prepared for digital transformation, which naturally led to an increase in cybercrime. Developing the right and expected level of data and cyber security is not cheap, so organisations like to save on these costs until they suffer significant damage as a result of a cyber attack. The coronavirus-induced compulsory shutdown, which requires the development of new ways of smart retailing, has been a difficult economic environment. Many have predicted a breakthrough, a transformative moment for advanced technologies in 2020. The „rising star“ for some time now has clearly been artificial intelligence (or perhaps more accurately, artificial intelligence and the automation or robotics that is connected to it by a thousand strands), a process clearly accelerated by the COVID-19 pandemic. Artificial intelligence, based on big data, machine-learning algorithms and automation, offers a qualitatively higher level of customer experience, in traditional shopping spaces as well as in e-commerce platforms. New innovations are emerging in the retail sector, where sustainability, personalization and the rise of online sales play a major role.

Based on our previous research, we have tried to break down this new situation into periods according to the changed circumstances (Tab. 4.17).

In the first phase of the outbreak, people are prepared for a period of restrictions on curfew. In this phase, the fear of an pandemic and the sudden jump in demand for products led to panic buying in shops (Sikos T. et al. 2021). During this period, it was mainly the stocking of basic food products that generated the highest turnover in retail (Tyagi et al. 2020). In the impending pandemic situation further boosted and even more growth in parcel delivery and online retailing., with turnover in the sector almost doubling

by April 2020 compared to the previous year (KSH 2020). Meanwhile, the popularity of various digital solutions has also soared in-store, with the main driver being increased customer demand for contactless shopping (Pintér 2020). It is worth highlighting the importance of generational differences for new online shoppers, as older generations have been more affected by the digitalisation imperative of the pandemic than younger generations (NRF 2020).

Tab. 4.17: Changes in shopping habits over time in the wake of the COVID-19 pandemic

<i>Period</i>	<i>Most important specificity</i>	<i>Shopping turnover</i>
<i>Coronavirus pre-crisis</i>	<i>Normality</i>	<i>Normal</i>
<i>Preparing for an pandemic</i>	<i>Accumulation, panic buying</i>	<i>Extremne increasing</i>
<i>Curfews restriction</i>	<i>Customer Awareness, The purchase of essential goods</i>	<i>Decreasing</i>
<i>After mass vaccinations</i>	<i>Non-purchase of products, "Revenge Shopping"</i>	<i>Increasing</i>
<i>End of pandemic</i>	<i>"New normality" (Adaption)</i>	<i>Decreasing</i>

Source: Sikos T. and Kovács (2021)

Thereafter, during the curfew period, the number of in-store purchases and the length of time spent in-store dropped significantly. Meanwhile, shopper awareness has become an increasingly important factor in the composition of shopping baskets. In this period, partly due to a decline in impulse purchases and partly due to economic uncertainty and deteriorating income situation, the in value of shopping baskets also showed a downward trend in shopping (Portfolio 2020). In addition to the increase in price sensitivity, health and environmental awareness also increased in shopping (Orîndaru et al. 2021). However, the importance of these aspects is highly variation across countries, mainly depending on income levels (Nielsen 2021).

Mass vaccination and the easing of the pandemic wave led to a gradual easing or complete abolition of restriction measures, which in most advanced economies allowed for the replacement of previously postponed purchases of products and the experience of shopping in shops. Such a situation is often associated with purchases that exceed the actual needs of customers, a behaviour known in the international marketing literature as "revenge shopping" (Lins et al. 2021). At this stage, new buying habits are already established, and therefore no significant change in customer behaviour is expected in the wake of new pandemic waves.

But the time of the "new normality" has not yet arrived. The economic consequences of the pandemic situation continue to have a major impact on customer behaviour. The causes of this can be attributed to a number of factors, two of which will be highlighted.

Supply chains continue to suffer disruption, leading to shortages of many products in shops (Kavilanz 2022). The prolonged pandemic situation and rising inflation due to restrictive measures reduce the living standards of shoppers, affecting the size of shopping baskets and negatively impacting the price sensitivity of shoppers (Yang et al. 2022). The first survey results confirmed that the negative effects of the outbreak situation have heavily affected the retail sector, when looking at the frequency of food purchases as a proportion of respondents, the frequency of food purchase occasions by shoppers across all sales channels decreased in March 2020 as a result of the virus situation (Fig. 4.23).

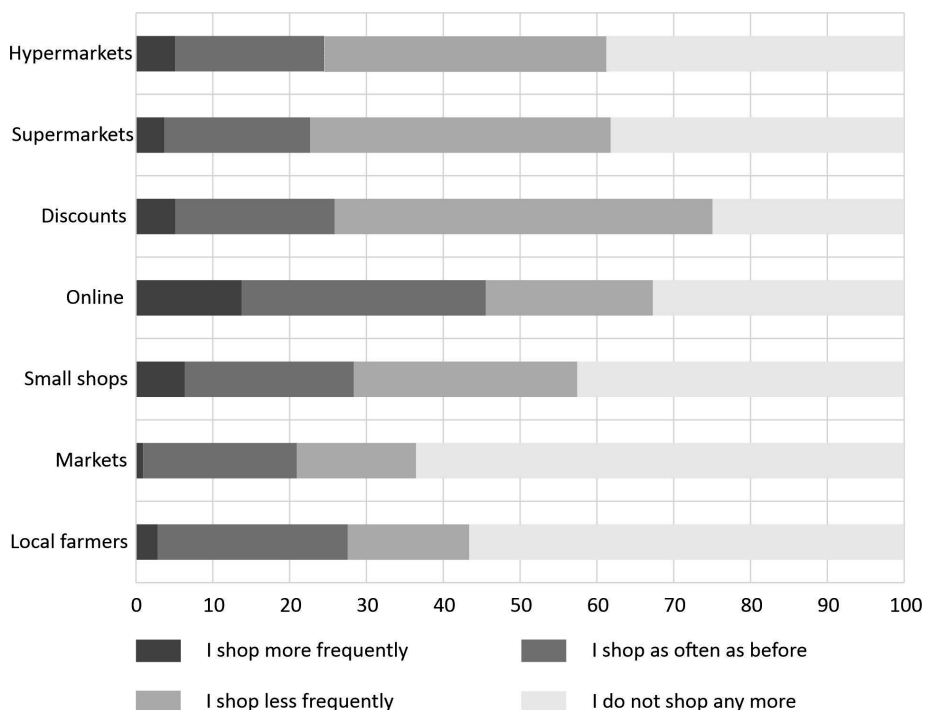


Fig. 4.23: Comparison of the frequency of food shopping before the outbreak, March 2020

Source: Sikos T. et al. (2021)

The results of the survey show that shops operating through the online channel are clearly in the best position, with 46% of shoppers buying online with the same or higher frequency. In contrast, all offline shops format had significantly worse values (28.4%–20.9%). There was a particularly large difference in the category of more frequent buyers, which also suggests a weakening of the position of in-store sales channels compared to internet retailing. Local markets and producers were in the most difficult market position, because there were a particularly high proportion of people who did not shop there at all these retail formats (63.5% for markets and 53.6% for local producers). Discount chains proved to be the most resistant in this situation, with only 24.9% of shoppers not using these shops, while the other types of stores showed almost the same level of dispersion,

ranging from 38.2% to 42.6%. These events have had a lasting impact on the trend in the frequency of shop visits by shoppers. At the time of the temporary lifting of the curfew restrictions in spring 2020, only 53% of the respondents in the second questionnaire survey said that they did not plan to change the frequency of their shop visits compared to the period before the pandemic (Fig. 4.24).

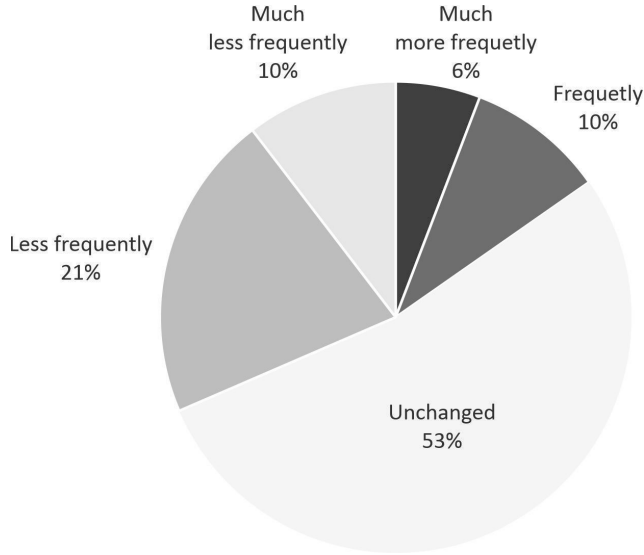


Fig. 4.24: Planned frequency of shop visits after the pandemic, compared to 2019
 Source: Kovács (2021)

Among the respondents who changed their previous habits, the majority planned to reduce the number of shopping occasions following the pandemic. Around one third of customers plan to increase the number of occasions they shop, while two thirds plan to shop less often. These are particularly dramatic changes in shopper preferences given that only a quarter of a year has passed between the two surveys. It is important to underline, that there is no comparison between the respondents’ opinion and the actual sales data. These data only provide information for the analysis of customer expectations, which may change again in a short period of time, depending on the evolution of the pandemic situation. There was no statistically verifiable correlation between age and place of residence of respondents. The respondents to the third survey still feel the importance of viewing products in person, despite the rapid market penetration of online retailing (Fig. 4.25).

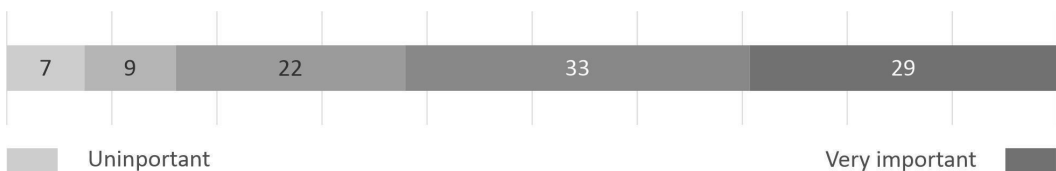


Fig. 4.25: Preference for personal viewing as a percentage of responses (%), N=309
 Source: Sikos T. and Kovács (2021)

The respondents 62% personal viewing to be rather important or very important when shopping, while only 16% consider it to be a less important factor when purchasing products. There could not be detected statistically significant relationship between age groups in the questionnaire sample based on the cross-tabulation analysis. These results suggest that the majority of shoppers in product categories requiring personal viewing are likely to prefer in-store locations for products, even with the significant improvements in logistics solutions, following the end of the pandemic. Finally, we also examined whether shoppers plan to make up for their postponed product purchases after the mass vaccination and the reopening of the store (Fig. 4.26).

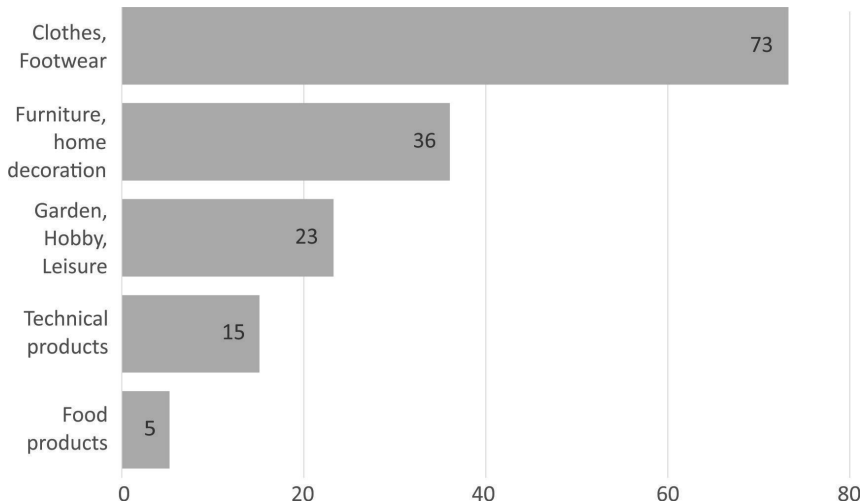


Fig. 4.26: Distribution of replacement purchases by product category (%), N=272

Source: Sikos T. and Kovács (2021)

The results showed that a narrow majority of respondents (56%) would like to make up for their lost purchases in at least one product category. The highest proportion of respondents 73% will make up for their postponed purchases in the clothing and footwear product categories. Undoubtedly, this is an exceptionally high proportion, even taking into account that the rotation rate for clothing is higher than for the product category that follows it. Within the furniture and home interior product group, 36% of respondents plan to make purchases. This is certainly influenced by the availability of state support. Besides, garden, hobbies, leisure (23%) also have a high share, as the queries were made after the peak of the spring season. The position of small shops in the retail market has been further eroded by the crown virus pandemic versus multinational chains. Although the face-to-face shopping experience remains an important factor, digital solutions and out-of-store pick-up possibilities, in particular home delivery, had become an expectation of shoppers. The research results confirmed that the process of adaptation to digital technologies has accelerated significantly during the pandemic, especially among older generations. Online retail sales increased significantly during the pandemic, with the most dynamic growth in FMCG. The share of online shopping in the distribution channels and the prevalence of the use of different digital solutions for shopping in shops would not have reached its current level until 5–10 years after the pandemic had passed.

4.10 Will the future of trading be offline or online?

Future retail will be a combination of offline and online. This means that shopping will always be done through the channel that is most ideal for the customer. So shopping will take place at the boundary between traditional geographic space and cyberspace. The Nielsen market research company, conducted in sixty countries including Hungary, found that consumers warmly welcome new digital technologies and that these are new technologies will be important part of the future retail. Modern technologies help „retailers and manufacturers to take advantage of flexible sales opportunities. In doing so, they can provide a better shopping experience and increase footfall in each channel.“

All of this will have a positive influence on tomorrow's retail trade. The combination of online and offline also means that in many cases shoppers are choosing the best delivery points for them. These may be deliveries the office, the home, the vacation home, but of course they can also be points in the offline space, such as pick-up points or pick-up points in shops. The latter also has the advantage that in this case the shop acts as a warehouse, since it is here that the customer's shopping basket is assembled. The composition of the products ordered online in a virtual basket does not necessarily represent the contents of the real basket in a traditional shop. The two tend to differ, e.g. in the US, 60% of goods purchased online are non-food and 40% are food. This compares with the average basket in traditional shops, where 60% of the basket is food and 40 non-food items. It is also a fact that there are differences between markets in terms of what shoppers like to see in their shopping basket. If this is adapted well and dynamically by an offline or online retailer, it can give that company a big advantage in the market and significantly increase its profits. The research also shows that fresh and frozen food is more likely to be bought offline, while perfumes and household products are more likely to be bought online. In the retail sector, online companies are better suited to distributing specialities because they offer greater opportunities to offer a wider range of products. Some products are missing from the offline system or are only available in limited quantities, such as vegan foods, which are very popular with Generation Z. The digital world could create a multitude of new tools in the short term to make ordering easier and faster, which could significantly accelerate the development of online commerce, which has already seen accelerated growth in recent times. Modern retailing technologies and an innovative distribution system are being developed, in which market players are constantly innovating and learning to apply and use newer and newer technologies. This new system is now fully embraced by the world of robotics. In this new environment, companies are able to react very quickly to market challenges and to cooperate with smart partners in order to remain competitive. All of this makes it possible for buyers to participate in a world of convenience and experience.

4.11 Conclusion

In the future, retail will be dominated by hybrid sales, i.e. retailers will sell both offline and online. More and more companies are expected to merge in order to have both offline and online sales channels, as this will be the basis for their success. For the time being,

EBIT profits are still higher for offline companies, but no one can afford to ignore such a significant market segment as online sales. As shopping baskets grow, online companies will become more successful and late entrants will easily find themselves at a competitive disadvantage. Companies with an offline network will need to build fewer logistics center as they can use their own stores as logistics bases. It is also a fact that the COVID-19 pandemic in particular has had a significant impact on the development of online trade. If we want to extrapolate this in time, there has certainly been at least a 5–10 year jump in the growth process. Many other areas have also developed dynamically, as the need for even stricter hygiene conditions has become necessary in order to overcome the pandemic. To this end, several companies have adopted technologies that were previously less used, resulting in the dynamic development of robot technology, in particular the production of disinfection robots, which were the most needed in logistics, alongside picking and transport robots. Of course, there were similar types of robots and applications before, but the pandemic has accelerated the use of these tools even more. Humanity is faced with the issue of depleting resources and in particular the rational use of food resources, as so many products end up as waste after purchase, while more than two billion people do not have regular access to adequate food and 11% of humanity is hungry. At the same time, the ecological footprint of a minority of the population will exceed the earth's current carrying capacity if current trends continue. The COVID-19 pandemic has had a positive impact on the growth of the FMCG sector in the retail sector, including online retailing, which will continue to be a dominant trend in the future. The key to its further growth will be the focus on environmental issues, sustainability and personalisation in online retailing - this is particularly important for digital natives, who are the most receptive to digital culture. For food retailers, adherence to the UN's Sustainability Guidelines will be an important aspect to follow, and efforts are already underway to do so.

5 THE TRANSFORMATION OF POLAND RETAIL

Dariusz Ilnicki, Ryan Wyeth

5.1 Retail trade in the literature on the geography of services: A Polish perspective

In the Polish literature on the geography of services, four basic periods can be distinguished, differing from each other in: how they capture and consider service activities; the interest in particular types of service activities; and, ultimately, the number of publications in this field. These periods are as follows (Ilnicki 2009):

- the beginnings of research on the service sector until the early 1970s (20th century);
- systematic research on services (from 1970 to 1980–1992);
- research on services in the "first decade" of the transformation period (1990s);
- contemporary geography of services (21st century).

Interest in commercial activities and the retail trade in Polish geography began in the late 1930s (for example, Ormicki 1938; Jeśman 1938). Basically, the manifestations of commercial activity, including service activity, were considered in a broader context and were placed within the framework of studies on settlements. Analysis of retail and wholesale (marketplace) trade focused on identifying the areas of influence of settlement units as centres of trade. Immediately after World War II, until the early 1970s, the issue of services did not gain much recognition among researchers. It can be said that, in a sense, it was abandoned and neglected (Werwicki 1998). The activities of the service sector continued to be analysed within the framework of settlement studies in particular. This approach resulted from the indisputable fact that every city, including small towns, regardless of its population, exerts multiple influences on its surroundings. This impact is based on: retail/wholesale trade (marketplaces), secondary education and economic impact (see Malicki 1939–1946). Bromek's study (1947) is among the first works in this field. The number of publications dealing with the above-mentioned issues increased, relatively, in the late 1950s and early 1960s. In these approaches, retail trade and marketplaces occupied an equivalent, if not a key, place to the other functions of cities (for example, Endrukajtis 1957; Kremky-Saloni 1957). An important observation at that time was that clearly defined areas of influence were primarily visible in *poviat* centres (for example, Nowakowska 1957; Romahn-Kwiatkowska 1957). However, identifying this in small towns was not really justified (Tylko 1957). When identified, areas of influence also began to be zoned depending on the strength of the link between the centre and its supply base. Moreover, trade links were always a criterion for identifying the relationships between settlement units and their supply bases¹.

¹ It is worth mentioning that when analysing the influence of the commercial function on a supply base, a distinction was made between so-called market days and non-market days. On market days, the influx of people from the supply base to the centre even doubled (see Liszewski 1967).

Systematic research on service activity dates back to the early 1970s. The issues of areas of influence, the hierarchy of service centres and the availability of services continued to come to the fore (cf. Dziegieć 1984). Issues related to the distribution of service outlets, particularly commercial ones, within the urban organism were taken up relatively less frequently (Górka 1973, 1986; Jakubowicz 1987; Polarczyk 1976; Suliborski and Dziegieć 1982; Werwicki 1973). The dynamic development of independent research on services, as well as its further interweaving into the research on settlements and the internal structure of settlement units, resulted, in the late 1980s and early 1990s, in several works attempting to summarise the development of research in the sector and the sphere of services in Poland (Jakubowicz 1993) and abroad (Nowosielska 1994), taking account of basic issues (concepts, definitions, classification approaches); broadly presenting the methodology for conducting this type of research (Jakubowicz 1993; Mynarski 1992) and synthesising the current state of knowledge in the geography of services (Werwicki 1998).

The relative decrease in the number of studies in the geography of services in the 1980s compared to the previous decade was a direct consequence of the growing economic crisis, the turning point of which was the change from a centrally controlled to a market-driven economy. Research on services in the 1990s – the first decade of the transformation period – concerned classic activities in this sector. However, new phenomena in the service sector were clearly studied. It seems that within the geographic approach to the study of trade in a broad sense, most works began to appear in the 1990s. These focused on general issues related to the changes taking place in retail trade in the initial period of the transformation period (Rilay and Niżnik 1994; Werwicki 1995), or for the entire decade from 1989 to 1998, in a regional system, including gastronomy (Taylor 2000) and petrol stations (Miszevska and Slenczek 1998), and on an intra-city scale (Górka 2001). However, numerous studies concerned a specific type of trade, namely marketplace trade (Powęska 1995a, 1995b; Werwicki and Powęska 1993) and service activities in a broad sense, in which trade played a leading role, in Polish border areas (Matykowski and Kulczyńska 1998; Powęska 1994, 1998a, 1998b)². When talking about marketplace trade, the phenomenon of retail and wholesale marketplace trade in Łódź, closely related to light industry (Werwicki 2000), cannot be forgotten.

The first works recording the emergence of shopping centres in the city space – large-area trade – should also be noted (Kłosowski and Runge 1999; Więclaw 2000). Over time, the interest in this type of trade grew steadily. It is worth noting that this phenomenon also became the domain of the economic approach developed in the field of economics (Kłosiewicz-Górecka 2001; Maleszek 1998, 1999a, 1999b, 2000, 2004). The interest of economists in trade was inspired by interest in commercial activity "as such" (Banasik, 1995; Maleszek 1995, 1997a, 1997b), research on the economic situation in trade (Ciok and Jerczyńska 1995; Dytman and Dąbrowska-Dudzińska 1995), a chain of retail outlets (Dytman 1992; Nowacka 1994a, 1994b), but without a spatial approach. However, wholesale trade was definitely less popular (Grodzka and Zinzuk 1994).

² It is worth noting that the interest in individual borderlands was clearly "stretched and divided" in time. In the initial period, the focus was on the western border. However, in the late 1990s, the interest shifted to the eastern border.

In the contemporary geography of services, similarly as in the 1990s, the focus of research was on trade. The issues analysed concerned, among others: outlining the directions of development (Kwaśnik 2002; Potwora and Potwora 1997; Środa-Murawska 2008; Wilk 2005); determining the level of trade development and its spatial structure within the urban organism (Kaczmarek 2008; Kaczmarek and Kaczmarek 2006; Kaczmarek and Szafranski 2008); and a city and its surroundings – an agglomeration – treated as a place where foreign trade is concentrated (Komornicki 2002). In addition to the comprehensive approach to trade, there are studies on individual types of retail outlets, such as pharmacies (Kozakiewicz 2005) or petrol stations (Janiszewska 2005).

It comes as no surprise that in those activities related to trade, a lot of attention was paid to the phenomenon of large-format retail, which "evolved" initially from, basically, monofunctional single locations into multifunctional shopping centres and shopping centers. An inseparable element of this group of studies, and sometimes the starting point, is that they primarily describe the spatial distribution and evolution of such facilities (Jarosz 2002; Kłosowski 2002; Kociuba 2006; Namyslak 2006; cf. Trzepacz 2006). Trade of this format is analysed autonomously, separately, but compared with the remaining commercial space (Kaczmarek and Kaczmarek 2006; Więclaw-Michniewska 2006) in order to indicate the mutual relations between them (cf. Kłosowski 2002). In the case of this type of retail outlet, the negative impact on the development of small trade, or rather its decline as a consequence of the development of large-format facilities, was emphasised.³ The analysis of multifunctional retail outlets began to go beyond the traditionally assigned commercial function, and concerned the entire range of services that occurred within them, along with attempts at making a typology of shopping centres. Currently, two types are distinguished: commercial and service as well as commercial and entertainment types (Dudek-Mańkowska 2006), with a clear gradation of large-format retail from independent hypermarkets to hypermarkets with shopping malls; shopping centres and shopping centres with large-format stores, in which the role of non-trade services is systematically growing (Jarosz 2002; Winiarczyk-Rażniak 2007). At the same time, new retail space (Kaczmarek and Kaczmarek 2006; Więclaw-Michniewska 2006) is assessed by customers in terms of its functioning (Kłosowski 2002; Twardzik 2016), or more and more often as an element of a city centre space and the functions it performs (Kajdanek 2006). Deliberations on this sector of commercial activity inseparably include the issues of location (Bogdanov 2002; Dalgakiran 2008), as well as the places and factors responsible for them (Jarosz 2002). In fact, all works in this field do not go beyond urban agglomerations, pointing to the characteristic stages of development of this type of trade in the Polish economic reality (cf. Rochmińska 2005). A study with a wider spatial context is the geography of hypermarkets in Poland (Gwosdz and Sobala-Gwosdz 2008). In the case of the aforementioned study, attention should be paid to the types of location strategies and the temporary definition of the development phases of a hypermarket chain. Although they do not differ significantly from previous findings, a new element is that they define 2010 as the beginning of the

³ It should be noted that these voices faded over time. Attempts were also made to falsify this thesis (Ilnicki and Czerwiński 2016). Based on studies of small retail entities within a one-kilometre radius of five selected shopping centres representing one of their five generations, the aforementioned study seems to contradict this thesis.

saturation phase. Also noteworthy is Zipser's (2006) study, in which the author, based on a survey of customers of Wrocław large-format stores, attempts to outline how the areas of influence are shaped. At this point, the original work by Popławska and Zathey (2002) should be noted. It concerns the uniformisation of life in urban spaces, the elements of which are new formats of retail trade ("Żabka" stores, fast food bars), large-format trade (super- and hypermarkets) and the sphere of banking services which consists of McBanks⁴ and automatic teller machines. When talking about chain trade, including large-format trade, it is necessary to recall the work by Wilk (2013) on the geography of organised retail trade in Poland. The first part of this study places the problem of trade in the concept of a chain and approaches it from the geographical, spatial and economic points of view, describing the development of trade chains and the internationalisation of trade in Poland. Its empirical part (1) shows changes in the number of outlets and facilities of a given chain; (2) determines spatial ranges and their variability in time for individual chains; and (3) defines the links and relations of commercial chains with suppliers, logistic companies and non-economic entities. The unquestionable advantage of this study is that it describes the formation of chains, including large-area retail trade from its beginnings to 2012, taking account of its formats.

This type of analysis can also be found in Kaczmarek's (2010) study, which shows the spatial structure of retail trade from global and local perspectives and outlines a wide spectrum of issues related to the evolution and contemporary forms of the spatial concentration of trade. On the other hand, the study by Dzieciuchowicz (2012) is the culmination of reflections on the development of retail trade and research issues undertaken within this area, in both world and Polish literature on the subject. It shows the evolution of traditional trade research trends into the new geography of trade. There are five main research trends in the new geography of trade: (1) the concentration and restructuring of trade in space; (2) trade supply chains; (3) trade exclusion areas; (4) the geography of international trade; and (5) the geography of retail trade.

5.2 Retail trade development

Four basic periods or stages of development of Polish retail trade after World War II can be distinguished (Kaczmarek and Kaczmarek 2006):

Stage I – the period immediately after the end of World War II until the late 1980s and early 1990s. This 45-year period was dominated by the socialised variant of trade with little presence of the private sector. The unwritten principle of spatial egalitarianism functioned in the development of trade in the spatial structure, as well as in its quality and accessibility. During this period, quantitative and qualitative changes in trade were evident, but this development tried to keep pace with changes and demand, rather than overtake them. The following three decades marked this period: the 1960s, 1970s and 1980s. The 1970s was the period of Edward Gierek's "economic success", followed by the economic

⁴ The authors have included Lukas Bank, Millennium, Citibank, Integrum and Invest Bank in McBanks.

and political crisis of the 1980s. As a consequence, in the late 1980s and early 1990s, the model of the functioning of the economy was changed from being centrally controlled to a market one;

Stage II – the early 1990s – related to the process of privatisation and consolidation of commercial chains after the period when there had been shortages in the realities of the market economy. The deficit of retail outlets and commercial space, particularly in cities, was covered by dynamically emerging small establishments located on the ground floors and other floors of blocks of flats, residential buildings and in outbuildings of tenement houses;

Stage III – from the mid–1990s – in which the traditional structure of small retail outlets began to be complemented by modern retail facilities. The largest Polish cities became places of expansion for free–standing large–format facilities (discount stores, supermarkets and hypermarkets). The largest commercial investors mainly included French and German capital owners, as well as Dutch, British, Austrian and Portuguese ones (Kaczmarek and Kaczmarek 2006).

Stage IV – from the early 2000s – marked by the development of modern shopping centers with areas of over 10,000 m² in which large–format trade was associated with a wide service offer (gastronomic, entertainment, cultural). The vast majority of large shopping centers were built in the largest Polish cities. The largest facilities of this type are: Złote Tarasy, Blue City and Arkadia in Warsaw; Stary Browar in Poznań; Manufaktura in Łódź; Galeria Wrocław and Galeria Dominikańska in Wrocław; and Galeria Kazimierz in Kraków.

The phenomenon of the development of large–format trade in Poland is primarily associated with the inflow of foreign capital. After the economic situation stabilised and, in particular, after Poland joined the European Union, it became an attractive market for foreign investors, including in the retail sector.

5.2.1 Retail trade until 1989–1990: the period of the centrally controlled economy

The statistics of services understood in a broad sense, as well as that describing retail trade, or more broadly, internal trade during the period of the centrally controlled economy (1945–1990), only show the basic features of how retail trade was shaped.

Immediately after World War II, there were nearly 140,000 retail outlets (1945). However, by 1990 this number was over three times higher at nearly 470,000 (Tab. 5.1).

It is worth noting, however, that a year earlier (1989) there were only 250,000 retail outlets. With the exception of 1950 and 1955, when the number of retail outlets decreased to 101,000 and 132,000, respectively, compared to 1945, their number systematically increased⁵. The highest growth dynamics occurred between 1950 and 1955 and between 1995 and 1960, amounting to 131% and 120%, respectively. On the other hand, average increases of 7–8% were observed in the subsequent periods.

⁵ There was a slight decrease between 1975 and 1980 – 676 stores.

Table 5.1: Basic figures describing retail trade from 1950 to 1990

Description	1950	1955	1960	1965	1970	1975	1980	1985	1990
<i>absolute values (thousands)</i>									
Retail outlets	101,3	132,6	159,7	181,9	196,6	204,2	203,5	219,8	469,7
including socialised trade	57,9	118,5	139,4	166,7	180,9	188,7	182,4	181,6	122,1
including state	10,4	39,2	48,9	65,8	72,0	42,2	29,9	32,9	20,3
cooperative	47,5	79,3	90,5	100,9	108,9	146,5	152,5	148,7	101,8
private	43,4	14,1	20,3	15,3	15,7	15,5	21,2	38,1	347,6
Stores	90,1	94,3	118,3	125,5	132,7	129,6	119,2	142,1	237,4
including socialised trade	56,7	87,5	108,5	118,4	125,7	122,7	119,0	121,0	82,8
including state	10,0	27,0	31,5	34,7	37,0	31,4	21,8	24,2	14,3
cooperative	46,6	60,5	77,0	83,7	88,7	91,3	97,2	96,8	68,5
private	33,5	6,8	9,8	7,1	7,0	6,9	21,2	21,1	154,7
<i>indicators</i>									
Population per retail outlet	245	206	186	173	166	167	176	170	81
Sales area per 1,000 residents	-	-	180	-	241	295	335	-	378
Population per store	277	293	252	252	246	264	299	263	161
Share of socialised retail outlets of the total number of retail outlets (%)	57.2	89.4	87.3	91.6	92.0	92.4	89.6	82.6	26.0
Share of socialised stores of the total number of stores (%)	62.9	92.8	91.7	94.3	94.7	94.7	99.8	85.1	34.9
The quotient of the number of cooperative trade facilities to state trade facilities	4.6	2.0	1.9	1.5	1.5	3.5	5.1	4.5	5.0
retail outlets									
stores	4.6	2.2	2.4	2.4	2.4	2.9	4.5	4.0	4.8

Source: own processing based on Rocznik Statystyczny... (1951, 1956, 1961, 1966, 1971, 1976, 1981, 1986 and 1991)

Along with the increase in the number of retail outlets, the number of people per retail outlet decreased. With the exception of 1945, when this amounted to 169 people, the greatest declines occurred between 1950 and 1965 (from 245 to 173 people). Until 1990, it oscillated around 170 people.

The sharp increase in retail outlets in 1990 caused the number of people per retail outlet to drop to 81. Thus, the degree of accessibility to retail outlets improved threefold. It is worth noting that from 1960 and 1965 to the early 1990s, the volatility of the numbers describing the retail trade was "constant". This regularity is also related to the degree of trade nationalisation. The apogee of the nationalisation of retail trade occurred in the mid-1970s (92.5%). Fundamental changes in the nationalisation of trade took place between 194(5)6 and 1955. At that time, state and cooperative ownership in the sphere of trade increased from 16% to 89%. In the late 1980s, it dropped to 71% (1989) and in the following year it was only 26% (1990). Cooperative retail outlets dominated socialised trade. With the exception of the two decades from 1955 to 1975, when the advantage of entities associated with cooperatives was on average twice as high as that of state-owned outlets, cooperatives ran 4–5 times more retail outlets.

Although changes in the number of stores were characterised by successive increases, the share of stores of the total number of retail outlets was gradually decreasing. This share fell from 89% in 1950 to 51% in 1990. Except in 1990 (35%), stores in socialised trade (state-owned and cooperative) dominated the total number. Excluding 1950, this share was not less than 85%. At the extreme end, it was close to 100% (1980 – 99.8%). On the other hand, the ratio of the number of cooperative stores to state-owned stores was at a similar level to that of retail outlets. From 1955 to 1975, there were, on average, two and a half times more cooperative stores than state-owned ones. In the remaining years to 1990, this advantage was on average four and a half times higher. Perhaps it is worth noting that from 1950 to 1970, the number of cooperative stores over state-owned stores was higher than that of retail outlets, but did not exceed 1%. However, after 1970, this regularity was reversed. Although not directly, with a low share of private trade, cooperative trade's advantage over state trade may indicate not so much privatisation tendencies, but diminishing state supervision over trade.

The degree of accessibility to stores, expressed by the number of people per store until 1985 inclusive, ranged from 252 to 299 people, which translated into an average value of 268. In 1990, however, there were only 161 people per store.

5.2.2 Retail trade from 1989 to 1998⁶

The transformation of the service sector in Poland was faster than in other so-called people's democracies. Before fundamental changes began to be introduced in the

⁶ This section is partially based on findings contained in the work by Taylor (2000). This was dictated by the fact that it was impossible to access the statistical notebooks characterising the Polish internal market from the initial phase of the socio-economic transformation (Taylor 2001).

political system, there were approximately 227,000 retail outlets in Poland, including nearly 125,000 stores (1988).

Within a decade, the number of retail outlets was close to 1 million, including nearly 452,000 stores alone (1998). The increase in new facilities was parallel to the collapse and liquidation of the economically weakest ones. This was a consequence of the growing competition in trade (for example, Powęska 1994; Werwicki and Powęska 1993)⁷. The most rapid growth took place in the early 1990s, when in two consecutive years, year-on-year, the number of stores increased by 154% (1990/1989) and 128% (1991/1990). This was a consequence of introducing the following elements to the market economy:

- the amendment to the act on cooperatives liquidating obligatory all-Poland cooperative unions;
- the amendment to the antimonopoly act, abolishing the state monopoly on foreign and wholesale trade, or in the trade in fuels, cars, textiles, and so on;
- the amendments to the acts on economic activity and on the privatisation of state-owned enterprises, which made it possible to introduce so-called small privatisation;
- the amendments to the housing law, enabling the owners of premises to freely determine rents (Szawłowska 1990; Werwicki 1994, 1995).

In addition to the liberalisation of the legal system, another important factor in the rapid development of trade was that only a relatively small amount of capital was required for commercial activities to commence, which was difficult in the industrial or agricultural sectors. Finally, low employee qualification requirements were an important development factor, particularly in the initial period of the dynamic growth of retail trade (Niżnik and Riley 1993; Riley and Niżnik 1994).

Nationally, the increase in the number of stores was much greater in cities than in rural areas. In cities, from 1988 to 1998, the number increased from nearly 79,000 to almost 350,000. A particularly large increase took place in voivodships with the largest agglomerations in the country: Gdańsk, Kraków, Katowice, Łódź, Poznań, Szczecin, Warsaw and Wrocław. More than three-quarters of the total number of stores were located within their borders. However, in rural areas, from 1988 to 1998, the number of stores only doubled: from 47,000 to 102,000, compared to the nearly 4.5-fold increase in the cities. This phenomenon is explained by the fact that the largest agglomerations and cities are potentially much more promising markets than sparsely populated and economically poorer rural areas.

The increase in the number of stores, and also in sales area, was among the positive phenomena in this period. As a result, the average store area grew from 43.2 m² in 1989 to 54.1 m² in 1998. The sales area of stores was gradually increasing. In 1998, it was an average of 632 m² per 1,000 residents (Rynek wewnętrzny... 1999, p. 23). This resulted in a 67% increase in the average sales area per 1,000 residents, from 378 m² to 632 m² (Fig. 5.1). The largest increases in the sales area of stores per 1,000 residents were characteristic of more developed voivodships, such as: Bielsko-Biała, Gdańsk, Kraków,

⁷ Cf. Powęska (1994).

Katowice, Warsaw, Poznań and Szczecin; or in relatively less populated regions: Gorzów Wielkopolski, Koszalin and Suwałki. In these voivodships, the increase in the sales area per 1,000 residents was at least 305 m² over ten years. The maximum occurred in the Szczecin Voivodship (455 m²) and was higher than the next, in the Kraków Voivodship, by 75 m²⁸. The smallest increases in sales area were characteristic of less developed voivodships, particularly in: Leszno (103 m²), Kielce (108 m²) and especially in Sieradz (95 m²) and Zamość (55 m²). The visible effect of the processes taking place in retail trade was the greater diversification of the sales area per 1,000 residents than at the beginning of the decade. This indicator's variability doubled from 213 m² to 426 m². At the beginning, the picture of spatial differentiation was clearly related to differences in population density. With the passage of time, however, the purchasing power of the population, related to income diversification resulting from the level of economic development of individual voivodships, became more and more important. Moreover, it is worth noting that the size of the sales area per 1,000 residents was clearly regionalised. In 1989, this indicator was evidently higher in the region of the two or three voivodships in western Poland. In 1998, however, the spatial differentiation definitely reached that of the service sector as a whole (see Ilnicki 2009; Jakubowicz 1993).

As a result of the changes taking place, the average number of residents per store in the country decreased from 301 in 1988 to 86 in 1998. However, in 1989 this number had already dropped to 250 people. The relatively highest number of people per store was characteristic of voivodships with a high degree of urbanisation, industrialisation and population density (Warsaw – 313, Gdańsk – 298, Katowice – 296, Kraków – 295, Łódzkie – 295), and slightly lower in the Białystok (279) and Radom (279) Voivodships (Fig. 5.2).

On the other hand, the lowest values (in 1989, less than 225 people per store) were observed in voivodships characterised by low population density, in northern and western Poland (particularly Koszalin, Piła, Olsztyn, Słupsk and Suwałki) and, exceptionally, in only two voivodships in the eastern part of the country (Biała Podlaska and Chełm). The regional policy pursued at that time had a strong egalitarian character. Hence, the disparities in the number of stores were the result of differences in population density and population concentration rather than other factors, such as institutional or regional policy. After a decade, the situation changed noticeably, but not radically (Taylor 2000). However, in some voivodships of north–west Poland, the number of people per store continued to be the lowest (for example, in the Jelenia Góra, Koszalin, Słupsk, Szczecin and Zielona Góra Voivodships – less than 80 people).

However, the largest relative changes took place in voivodships with a high degree of urbanisation and industrialisation (Kraków, Poznań, Warsaw and Włocław). On the other hand, the greatest number, an average of over 100 people per store, was typical of less developed voivodships (Siedlce, Łomża) and in the Nowy Sącz Voivodship. Thus, over the decade, the availability of stores increased more than threefold in individual regions. The spatial differentiation of accessibility to stores also changed significantly. It is worth noting

⁸ It is worth noting that, excluding the Szczecin Voivodship, in the above–mentioned voivodships the growth span was also 75 m² (Kraków 380 m² – Gdańsk 305 m²).

that the spatial structure of the population per store corresponded to the sales area per 1,000 residents (Fig. 5.1 and 5.2). This does not perfectly correspond, but the similarities and analogies are visible. An interesting finding is that the interregional disproportions between voivodships characterised by extreme values decreased by almost 9%, with no regional policy in this regard.

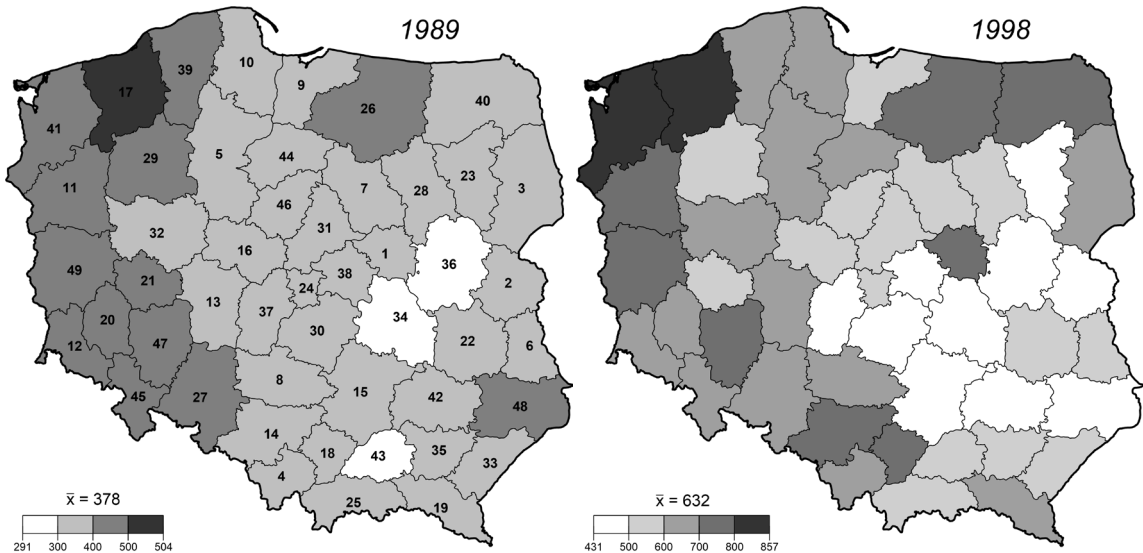


Figure 5.1: Sales area of stores per 1,000 residents by voivodship (m²)

Designations: 1 – warszawskie, 2 – białkopodlaskie, 3 – białostockie, 4 – bielskie, 5 – bydgoskie, 6 – chełmskie, 7 – ciechanowskie, 8 – częstochowskie, 9 – elbląskie, 10 – gdańskie, 11 – gorzowskie, 12 – jeleniogórskie, 13 – kaliskie, 14 – katowickie, 15 – kieleckie, 16 – konińskie, 17 – koszalińskie, 18 – krakowskie, 19 – krośnieńskie, 20 – legnickie, 21 – leszczyńskie, 22 – lubelskie, 23 – łomżyńskie, 24 – łódzkie, 25 – nowosądeckie, 26 – olsztyńskie, 27 – opolskie, 28 – ostrołęckie, 29 – piłskie, 30 – piotrkowskie, 31 – płockie, 32 – poznańskie, 33 – przemyskie, 34 – radomskie, 35 – rzeszowskie, 36 – siedleckie, 37 – sieradzkie, 38 – skierniewickie, 39 – słupskie, 40 – suwalskie, 41 – szczecińskie, 42 – tarnobrzescie, 43 – tarnowskie, 44 – toruńskie, 45 – wałbrzyskie, 46 – włocławskie, 47 – wrocławskie, 48 – zamojskie, 49 – zielonogórskie,

Source: Taylor (2000)

Due to the changes taking place from 1989 to 1998, the number of residents per store in 1998 decreased on average to 68 in urban areas and 145 in rural areas (Fig. 5.3). The differences between cities and rural areas should be associated with the clearly different purchasing powers of urban and rural populations. In addition, it was not without significance that villagers were partially self-sufficient. The purchasing power of the urban population in this period was definitely higher despite the lower average number of potential buyers. These values prompted the formulation of claims that the number of stores, in both cities and rural areas, approached saturation level or had already reached this. This was explained by the fact that it is difficult to imagine a profitable store supplying goods to an average of fewer than several dozen residents, even in the cities (Taylor 2000). In the cities, the largest number of people per store was in more densely

populated voivodships, with a high degree of urbanisation and economic development (Katowice, Łódź, Wrocław). This category, although with lower values, includes the following voivodships: Białystok, Elbląg, Gdańsk, Lublin, Szczecin and Warsaw.

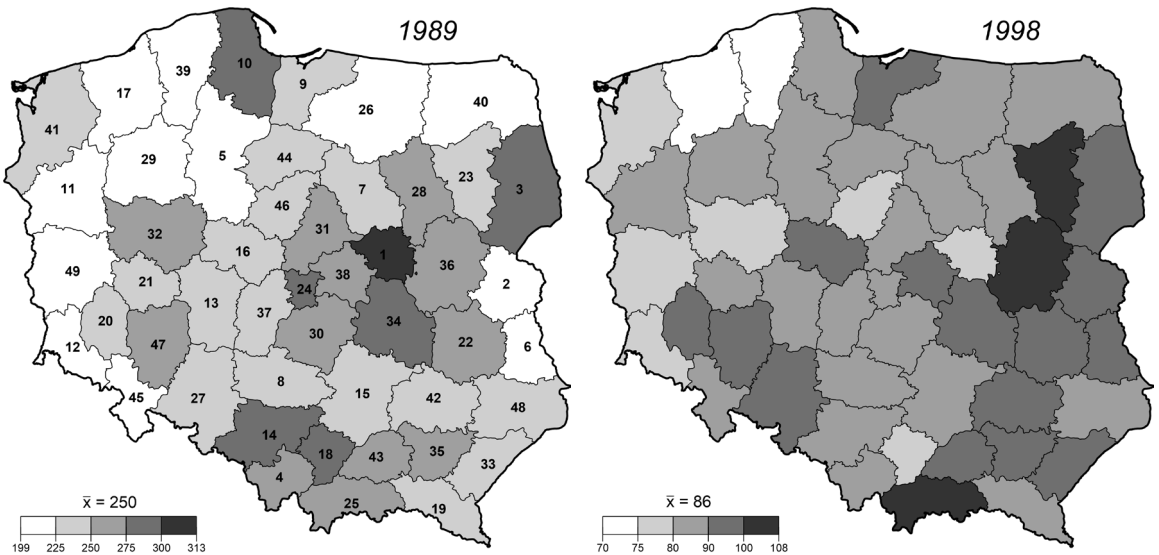


Figure 5.2: Population per store by voivodship

Notes and designations: numbering of voivodships as shown in Fig. 5.1

Source: Taylor (2000)

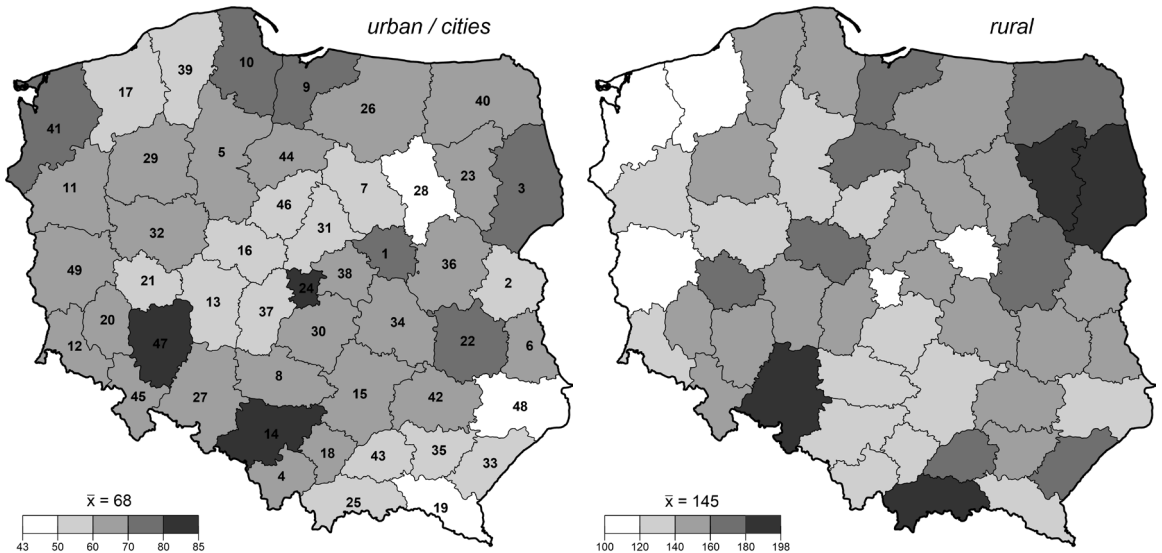


Figure 5.3: Population per store in 1998 by city and village in individual voivodships

Notes and designations: numbering of voivodships as shown in Fig. 5.1

Source: Taylor (2000)

The lowest values of this indicator were characteristic of economically less developed voivodships (Krosno, Ostrołęka, Zamość), with agriculture playing a significant role in the economic structure of the region. In the case of rural areas, the image of spatial differentiation does not lend itself to simple interpretations and justifications. High values of this indicator were observed in well-developed voivodships (for example, Opole), and even higher in the Białystok, Łomża and Nowy Sącz Voivodships, for which it is difficult to find a common denominator.

5.2.3 Retail trade from 1998/2000 to 2020

A characteristic feature of Polish retail trade in the 21st century is that the private sector not only dominated, but also completely appropriated this part of service activities. During this period, the number of stores, perhaps not systematically, decreased. It dropped by over 112,000, from 432,000 in 2000 to nearly 320,000 in 2020. Thus, while the population of Poland generally remained at a similar level, the number of people per store increased (Tab. 5.2). It rose from one of the lowest levels – 89 people – in the entire post-war Poland, to 120 people. The sales area systematically increased. In 2000, it amounted to nearly 24.5 million m². Over the next 20 years, the sales area increased by 12.7 million m². It should be noted, however, that in the first 15 years, in three consecutive five-year periods, the area increased in each by 114%. In the last period, however, it grew by less than 103%. This decline appears difficult to associate with the COVID-19 pandemic, although it cannot be completely ruled out. However, it can be assumed that this drop in dynamics indicates saturation with commercial space. This can also be associated with the declining number of new shopping centers being built. However, it can certainly be said that the increase in sales area is a derivative of a change in the structure of the number of stores according to sales area. However, attention should be paid to the rapidly growing sales area of stores per 1,000 residents. At present, it is approaching 1 m² per person.

Table 5.2: Number, ownership and area of stores, as well as their availability and quality of service in Poland from 2000 to 2020

Description	Year				
	2000	2005	2010	2015	2020
Stores	431,991	385,990	346,058	360,750	319,936
including state	–	1,317	1,076	243	215
private	–	384,673	344,982	360,507	319,721
Store area (thousand m ²)	24,451	28,065	31,769	36,189	37,185
Population per store	89	99	111	107	120
Area per 1,000 residents	639	735	825	941	970

Source: own processing based on Rynek wewnętrzny... (2001, 2006, 2011, 2016 and 2021)

Although stores up to 100 m² were dominant, their share systematically decreased (Tab. 5.3). In 2020, this was 87.9% of stores compared to 94.0% in 2005⁹. The remaining categories of store sizes were generally characterised by their increased importance in the structure. The larger the sales area, the lower the share of the number of stores of this sales area in the structure and the increases in their number over time are lower. The share of stores with a sales area of 400 to 999 m² (from 1.2% in 2005 to 3.7% in 2020) increased significantly¹⁰.

There were also visible increases in stores with an area of 100 to 199 m² (from 2.7% to 4.0%). A clearer picture of the changes in the size structure of stores can be seen when aggregating stores from 100 to 399 m² and size categories from 400 m² upwards. Then, in the first case, there was an increase from 4.3% in 2005 to 7.2% in 2020. However, in the case of stores with an area of more than 400 m², the increase amounted to 3.3 percentage points, from 1.7% to 5.0%¹¹.

On the other hand, the structure of the store area in terms of size was not so much different from the structure of the number of stores, but had its own character. Stores up to 100 m² continued to play a dominant role in the structure of store area (40.6% in 2020). However, together with stores from 100 to 399 m² (12.3% in 2020), their importance decreased, similarly to that of the largest stores (2,500 m² or more – 15.9% in 2020). However, the share of retail space in outlets with an area of at least 400 m² was already 47% in 2020 and increased by 4% compared to 2015. Thus, a concentration of sales area in large-scale retail trade of over 50% should be expected in the near future. It is also worth noting that the largest increase in the share of sales area took place in those stores from 400 to 999 m² inclusive. In 2020, this size category of stores had a greater share in the structure of sales area (19.3%) than stores with an area of at least 2,500 m².

As already noted, in the period of the market economy, the number of stores increased until the late 1990s, reaching a maximum in 2000 (nearly 410,000). On the other hand, the following years saw a systematic decline in numbers. This should be linked to the processes of concentration and consolidation in trade. This is evidenced, on the one hand, by a decrease in the global number of enterprises dealing with trade and, on the other hand, by changes in the structure and the number of enterprises running a certain number of stores (Tab. 5.4). In general, the number of enterprises decreased along with the number of stores they ran. The largest number of enterprises ran up to two stores and they accounted for practically 98% over 20 years. The number of enterprises decreased the most in this group. In 2020, there were nearly 250,000 such enterprises, constituting less than 65% of their number in 2000 (387,000). Those enterprises managing from

⁹ In 1995, the share of this size category of stores was as high as 96.7%. Thus, the decrease in the structure of this size category amounted to 8.8%.

¹⁰ In 1995, the share of stores with an area in this size range was only 0.5%. It is also worth noting that in the 1990s it was the last size category that could be found in the statistics (400 m² and more).

¹¹ Given the data from 1995, the share in the structure increased by 4.4% in each of the distinguished size categories.

Table 5.3: Number and structure of stores by sales area from 2000 to 2005

Year	Stores with an area of... (m ²)									
	99 or less	100–199	200–299	300–399	400–999	1,000–1,999	2,000–2,499	2,500 or more	100–399	400 or more
2000	416,064	7,872	2,567	1,551	3,052	551	101	233	11,990	3,937
2005	361,067	10,371	3,933	2,102	4,672	1,182	130	544	16,406	6,528
2010	313,729	13,908	5,372	3,123	6,950	1,875	244	857	22,403	9,926
2015	323,051	14,493	6,433	3,775	9,278	2,441	273	1,006	24,701	12,998
2020	281,098	12,872	5,899	4,191	11,825	2,707	338	1,006	22,962	15,876
Structure (%)										
2000	96.3	1.8	0.6	0.4	0.7	0.1	0.0	0.1	2.8	0.9
2005	94.0	2.7	1.0	0.5	1.2	0.3	0.0	0.1	4.3	1.7
2010	90.7	4.0	1.6	0.9	2.0	0.5	0.1	0.2	6.5	2.9
2015	89.5	4.0	1.8	1.0	2.6	0.7	0.1	0.3	6.8	3.6
2020	87.9	4.0	1.8	1.3	3.7	0.8	0.1	0.3	7.2	5.0

Source: own processing based on Rynek wewnętrzny... (2001, 2006, 2011, 2016, 2021)

three to ten stores increased in number from 2000, reaching a maximum in 2010 (5,278) compared to 4,411 such enterprises in 2020. In the next decade, the tendency was reversed and finally, in 2020, the number of these enterprises reached the same level as at the beginning of the period (4,385).

Table 5.4: Enterprises by the number of stores run

<i>Description</i>		<i>Year</i>				
		<i>2000</i>	<i>2005</i>	<i>2010</i>	<i>2015</i>	<i>2020</i>
<i>Total</i>		<i>392,143</i>	<i>334,639</i>	<i>283,607</i>	<i>292,129</i>	<i>255,062</i>
<i>including</i>	<i>up to two stores</i>	<i>386,700</i>	<i>328,769</i>	<i>277,112</i>	<i>285,982</i>	<i>249,618</i>
	<i>3–10</i>	<i>4,411</i>	<i>4,792</i>	<i>5,278</i>	<i>4,952</i>	<i>4,385</i>
	<i>11–20</i>	<i>781</i>	<i>716</i>	<i>758</i>	<i>702</i>	<i>610</i>
	<i>21–50</i>	<i>221</i>	<i>270</i>	<i>320</i>	<i>324</i>	<i>279</i>
	<i>51–100</i>	<i>22</i>	<i>66</i>	<i>81</i>	<i>90</i>	<i>87</i>
	<i>101–200</i>	<i>6</i>	<i>20</i>	<i>38</i>	<i>47</i>	<i>38</i>
	<i>More than 200 stores</i>	<i>2</i>	<i>6</i>	<i>20</i>	<i>32</i>	<i>45</i>

Source: own processing based on Rynek wewnętrzny... (2001, 2006, 2011, 2016, 2021)

The number of enterprises operating between 11–20 and 21–50 stores was relatively stable. There were generally between 700 and 800 enterprises managing 11 to 20 stores. In contrast, there were 220 to 330 enterprises with 21–50 stores. However, it should be noted that the number of enterprises managing more stores (21–50) increased, as opposed to entities managing 11–20 stores. However, it should be noted that this statement is also true if changes in the number of enterprises between successive five-year periods are treated jointly. The number of enterprises managing the largest number of stores increased throughout the period. This applies in particular to enterprises managing at least 200 stores. This was the only group of enterprises that did not decrease in number from 2015 to 2020.

When it comes to the structure of stores in terms of their types, the four to five specialisations that are dominant in this structure should be indicated¹². These are: general grocery stores (20% in 2020), clothing stores (10%), motor vehicle stores (5.7%)

¹² It should be noted that the description of the typological structure of stores is only possible from the 1990s. As regards the earlier period, the following generalisations can be made concerning the period from 1960 to 1980. First of all, the share of grocery and general grocery stores was systematically dropping. In total, this decrease went from 81% (1960) to 54% (1980). The number of grocery stores was more than non-grocery stores. The number of the former grew from 1.7 (1960) to 2.1 (1980). Non-grocery stores complemented them. Excluding 1960 (19%), non-grocery stores, on average, accounted for 45%.

and butcher stores (2.5%)¹³. Petrol stations (2.5%) had a similar significance as butcher stores in the structure, but their share remained at a relatively lower level all the time. On the other hand, other stores – with various specialisations – had the largest share in the structure amounting to 37% on average from 2000 to 2010. In the next decade, this exceeded 40% (43.5% in 2020)¹⁴. The remaining types of stores¹⁵ amounted to no more than 2.4% (2020) of the total number. The vast majority were less than 1.8%. Fish stores were of trace importance in the structure as their share in the entire period was 0.3%. Although their share was constant, their number also decreased from 1,506 in 2000 to 856 in 2020, in line with the general downward trend in the number of stores. The structure of stores in terms of their type evolved over time. However, based on the structure in the subsequent five-year periods, it is difficult to indicate the general trends in the directions of these changes. Nevertheless, based on the difference in the share of individual categories between 2000 and 2020, the share of nine¹⁶ of the 16 types increased. The increases ranged from 0.5% to 5.3%. In five cases, the change did not exceed 1%. The largest changes concerned stores in the categories: "other" (5.3%), motor vehicles (2.7%), clothing (2.2%), furniture and lighting equipment (1.3%). The other six categories of stores¹⁷, except for two, recorded a slight decrease in importance. These did not exceed 0.7%. The largest decrease in importance was recorded in the case of general grocery stores (12.3%), and stationery stores and bookstores (1.5%). However, it should be realised that the changes in the structure were triggered by a downward trend in the total number of stores and an increase or decrease in the number in a given category of stores. In seven out of nine cases, an increase in the importance of a given store category and its share of the total number was related to an increase in the number of stores in these categories. This did not apply to the categories of "other" stores and clothing stores. The increases and decreases in the number of stores ranged from several hundred to nearly 6,000. On the other hand, the number of general grocery stores (76,700), "other" stores (25,400) and stationery stores and bookstores (8,300) decreased significantly.

¹³ Butcher stores were included in the dominant types due to the fact that from 2000 to 2015 the share of these stores oscillated around 3.2%

¹⁴ In the early 1990s, general grocery stores played a dominant role (26.3% in 1993). Other stores accounted for 22.7% of the total number.

¹⁵ These specialist stores are, according to their decreasing share: bakery and confectionery (2.4%), furniture and lighting equipment, cosmetics and toiletries, footwear and leather products (1.8%), textiles, radio and TV products and household appliances, fruit and vegetables, stationery and bookstores, alcoholic beverages, fish (0.3%).

¹⁶ These are the following categories, according to decreasing importance: other (5.3%), motor vehicles (2.7%), clothing, bakery and confectionery products (1.5%), furniture and lighting equipment, petrol stations (0.8%), cosmetics and toiletries, textiles, alcoholic beverages (0.8).

¹⁷ The final category of stores of shoes and leather goods is not included. At both the beginning and end of the period, its share was 1.8%. Between these extremes, this share was 2.2%.

5.3 The chain structure in Polish retail trade

5.3.1 Development of super- and hypermarket chains in Poland

Among the shortcomings of Polish official statistics are those related to the spatial description of new phenomena, or those that arouse wide social and economic interest. Such data would allow for a fairly complete characterisation of retail trade. This applies to both temporal and spatial approaches.

The first self-service outlets in Poland that could be classified as a hypermarket appeared during real socialism. However, just like the name, the characteristic formula of this type of establishment spread along with the transformation of the socio-economic system (1990–1992). The first foreign hypermarket, which belonged to the German Hit chain, opened in Warsaw in July 1994. At the end of 1996, there were nine hypermarkets in Poland. A visible increase in their number – both relative and absolute – took place from 1997 to 1999. In 1999, 36 hypermarkets were opened. Between 2000 and 2010, there was a further increase in the number of branches opened each year, ranging from 99 (2000) to 26 (2002). From 2000 to 2007, there was a relatively systematic decline in the number of newly established hypermarkets. In 2007, compared to 2006, the number of hypermarkets decreased by 14. The next three years (2008–2010) marked the last significant increases (67, 32, 67). On the other hand, looking globally, starting from 2000, there was a noticeable downward trend in the number of newly opened hypermarkets. This applies significantly to the period after 2010. Over the last ten years (2010–2019), the global balance increased by only five hypermarkets. Currently, there are 612 hypermarkets. Thus, in the last year, before and during the pandemic, 45 facilities were built (Tab. 5.5).

The number of supermarkets after 1989 was slightly different. In 1993, there were 673 supermarkets. With the average dynamics oscillating around 110% throughout the period, this number finally reached 8,000 (8,170 in 2020) (see Tab. 5.5). Thus, the increase in the number of supermarkets was constant, yet varied. Nevertheless, in the case of hyper- and supermarkets, it is worth paying attention to the effect of the financial crisis (2008) on the number of (not)created new facilities. After a record increase in their number in 2006 (827), there was a clear decline, resulting in "only" 123 new supermarkets in 2008. The next five years were marked by "systematic" increases in the number of new facilities, with a maximum in 2013 (742). In the following years, the number of newly established supermarkets oscillated between 139 (2016) and 394 (2015). Thus, starting from 2014, there were nearly 300 new establishments each year on average.

It is no surprise that super- and hypermarkets are the store formats typical of cities. Nearly 96% of hypermarkets are located in cities, and this percentage has virtually not changed since 2008¹⁸. However, the dynamics of their formation, due to the low base value, was higher in non-urban areas (144%; 18–26). It is also worth adding that non-urban locations are associated with motorway junctions, the presence of logistics centres,

¹⁸ From 2008 to 2020, there was a 1% decrease in the concentration of hypermarkets in cities.

Table 5.5: Dynamics of the changes in the number of super- and hypermarkets from 2000 to 2020

Description	Year												
	2000	2005	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
supermarkets number	1,602	2,176	4,461	5,006	5,468	6,210	6,509	6,903	7,042	7,317	7,659	7,945	8,170
hypermarkets $t+1-t_0$	99	374	562	565	572	592	593	589	586	564	570	567	612
supermarkets	-	574	2285	545	462	742	299	394	139	275	342	286	225
hypermarkets	-	275	188	3	7	20	1	-4	-3	-22	6	-3	45
supermarkets	-	136	205	112	109	114	105	106	102	104	105	104	103
hypermarkets	-	378	150	101	101	103	100	99	99	96	101	99	108

Source: own processing based on Rynek wewnętrzny ... (2001, 2006) and Statistics Poland (GUS) data (Local Data Bank: trade and gastronomy/stores and petrol stations/stores by organisation type)

large urban centres, and so on (for example, Bielany Wrocławskie – Wrocław, Tarnowo Podgórne – Poznań, Janki – Warsaw). A similarly high percentage of supermarkets are located in cities (82% in 2020). However, their concentration level in cities decreased by nearly 14%. This phenomenon was accompanied by an almost twofold increase in their number in cities (3,479 to 6,977). However, their number increased almost tenfold in other areas (150 to 1,493).

Department stores and trade stores complement the large-format retail spaces. However, their importance has been systematically declining and currently they constitute just over 4% on the national scale. In 2010, their share of the formats under consideration was just over 20%. It is characteristic that, at the beginning, the proportion of department stores and trade stores in rural areas was twice as large as in cities (13.7% versus 6.5%). In 2020, this tendency was reversed and the share was higher in cities (2.8%) than in rural areas (1.5%). Ninety per cent of department stores and trade stores are concentrated in cities. In absolute values, in cities the numbers were 342 (2010) and 209 (2020) against 33 (2010) and 23 (2020) in rural areas.

Going down to the regional level of individual voivodships, several regularities can be formulated. Firstly, with the changing number of analysed facilities, their concentration (the proportion of the overall number) did not change significantly in individual voivodships between 2010 and 2020. Secondly, hypermarkets were characterised by a visibly, though slightly, higher concentration compared to that of supermarkets¹⁹. Thirdly, the number and concentration of super- and hypermarkets are related to and correlated with the number and concentrations of the population in individual voivodships. In both cases, the correlation between these values was not less than +0.902. On the other hand, comparing the proportions of the total population with the proportion of super- and hypermarkets as well as department stores and trade stores in total, this correlation was higher and ranged from +0.921 in 2010 to +0.948 in 2020.

It is possible to distinguish three or four groups of homogeneous voivodships due to the concentration of population and large-format establishments. The first group consists of the Silesian, Mazovian, Greater Poland and Lower Silesian Voivodships. They had at least 8% of all establishments. Apart from the Mazovian Voivodship, in the remaining ones, the concentration of the analysed facilities was more than the proportion of the population²⁰. The second group consists of five voivodships, namely the Lesser Poland, Pomeranian, Kuyavian–Pomeranian, Łódź and West Pomeranian Voivodships. This group as a whole was characterised by visible stabilisation, a balance between the proportion

¹⁹ In 2010, this concerned five voivodships, while in 2020 it was already ten. It should be noted, however, that in 2010 the total overconcentration was 11.2% compared to 4.3% in 2020.

²⁰ In the Mazovian Voivodship, throughout the period there was an average 2% overconcentration of population in relation to the number of facilities. On the other hand, only the Greater Poland Voivodship recorded systematic increases in the proportion of large-format facilities, which reached 2.5 % in 2020. It is worth noting that this resulted from the increase in the share of supermarkets.

of facilities and the population in the analysed period²¹. In this group of voivodships, apart from the Lesser Poland Voivodship, the concentration of large-format facilities was higher than the population. However, it should be noted that this advantage was systematically decreasing. The last group consists of the remaining voivodships. Leaving aside the Świętokrzyskie Voivodship, the common feature of this group of regions²² was that the proportion of large-scale facilities declined in the ten analysed years. Besides, four of them were characterised by a greater concentration of population than facilities²³.

The earlier formulated general trends are confirmed in the spatial approach to the issue at the local level. If we look at the spatial differentiation of hyper- (Fig. 5.4) and supermarkets (Fig. 5.5), we can see the previously indicated concentration of large-format facilities in individual regions.

On the other hand, the occurrence and location are of different nature. The locations of hypermarkets tend to be point-based, primarily in the capital cities of voivodships – more broadly regional centres – or in cities with a population of at least 100,000 residents. Regional locations had concentrations of 42–36%²⁴ of hypermarkets and cities of at least 100,000 residents had 65–57%. In the remaining categories of city sizes (20,000–50,000 and 50,000–100,000 residents), the concentration for each size category ranged from 15% to 18%. In the smallest cities, up to 20,000 residents, the market share fluctuated from 2% to 4%. Moreover, it should be added that the spatial structure of the number of both locations (140/187) and hypermarkets (463/546) did not change substantially over the ten years (see Fig. 5.4).

The spatial structure of supermarkets is of a different character, which can be referred to as area-based (see Fig. 5.5). The process of increasing the number of supermarkets and their locations is assumed to lead to their even distribution in space. The premise for such a statement is that four out of the five distinguished size categories of cities had a concentration of 25% of supermarkets on average. The size category in which the proportion of this type of buildings is clearly lower includes cities with at least 50,000 and not more than 100,000 residents.

It is also worth noting that the highest percentage of supermarkets was characteristic of two extreme size categories of cities, namely those with over 100,000 residents (32%–29%) and small towns with less than 20,000 (29–26%). As is the case with hypermarkets, in terms of their number and concentration, supermarkets are typically located in the largest cities in the country or in important ones that play a vital role in the settlement network of a given region. Attention should also be paid to their increased concentration in towns located around metropolitan centres (Warsaw, Tricity, Poznań, Wrocław, Kraków) and the Upper Silesian conurbation – more broadly the Silesian Voivodship, and Łódź – more broadly the Łódź Voivodship.

²¹ In the case of the Pomoranian and Łódź Voivodships, there were slight increases in the proportion ranging from 0.2% to 0.3%.

²² Lublin, Lubusz, Opole, Subcarpathian, Podlasia and Warmian–Masurian Voivodships.

²³ Lublin, Subcarpathian, Podlaskie and Świętokrzyskie Voivodships.

²⁴ The first value is for 2010 and the second for 2020.

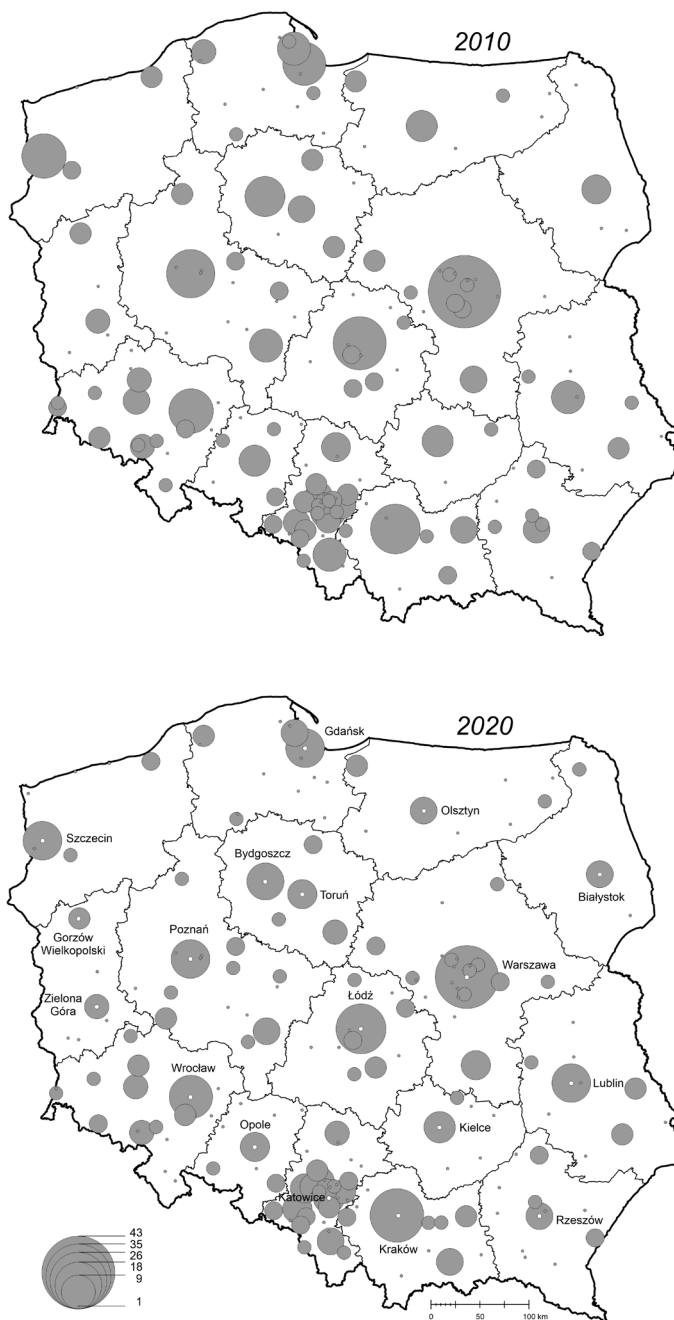


Figure 5.4: Spatial differentiation of the number of hypermarkets at the local level: cities and communes (Nuts 5) in 2010 and 2020

Explanations: (1) the same scaling has been used for both maps – the maps are comparable;
 (2) square root scaling

Source: own processing based on GUS data (Local Data Bank: trade and gastronomy/stores and petrol stations/stores by organisation type)

Three more characteristic features can be identified in the spatial differentiation of the number of supermarkets in 2020. The first is the so-called line of large cities from Szczecin, through Gorzów Wielkopolski, Zielona Góra, Legnica – Głogów Copper District (LGOM) to Wałbrzych. The second spatial feature refers to the settlement network of the Lesser Poland and Subcarpathian Voivodships, manifested by an increased concentration of the population and thus also of supermarkets along two parallel lines. The first runs through Kraków, Tarnów and Rzeszów. The second line is to the south of the previous one (Nowy Targ – Nowy Sącz – Krosno – Przemyśl). Another characteristic feature of the spatial structure of supermarkets is their increased concentration, number and density along the line running from the Pomoranian Voivodship through Kuyavian–Pomeranian, Greater Poland, Lower Silesian and via Opole to the Silesian Voivodship. This area, combined with the "island" concentration around Łódź and Warsaw, directly refers to the spatial differentiation of the gross domestic product in the system of the previous administrative division of Poland (49 voivodships) and the spatial differentiation of new phenomena and new service activities in the transforming space after 1992 (Ilnicki 2009, 2010). There is also a noticeable relationship between the image of spatial differentiation and the density of the settlement network, primarily urban, and the size structure of cities. Also, the lower density and number of supermarkets are associated with areas with significant levels of forest cover²⁵. If the image is simplified or generalised (Fig. 5.5), relationships can be found with areas with a relatively higher population density nationwide. This area is enclosed in a triangle, the apex of which is the Tricity (Gdańsk – Gdynia – Sopot), and the base is the southern border of the country.

The number of supermarkets per 10,000 residents, aggregated to the level of poviats (NUTS 4) at first seems to show a different picture of accessibility to large-format retail trade (Fig. 5.6). This is mainly due to the increased number of supermarkets per 10,000 residents in the west and north-west of the country. Border poviats, for which high values can be combined with cross-border retail trade, stand out in a positive way. In addition, there was a significant increase in the availability of supermarkets over the ten years under study. The maximum number of establishments per 10,000 residents increased from 3.4 to 4.7 with a simultaneous, but relatively small, increase in their minimum number (from 0.1 to 0.3). However, it is worth noting that the first size category, which in terms of value was not higher than 1.25 in 2020, included as many as three size categories in 2010 (Fig. 5.6).

The scale of the change that occurred over the decade is shown by the fact that the first three size categories, with values of less than 1.25, included over 60% of poviats in 2010 (228), and this number dropped to only 10% in 2020 (38). The number of supermarkets per 10,000 residents increased significantly. In 47% of poviats, it was an increase of another supermarket per 10,000 residents. However, in 7% of them, there were at least two more supermarkets. Only in the case of four poviats was a decrease in the intensity indicator recorded²⁶.

²⁵ The area where the Pomeranian and West Pomeranian Voivodships meet the Lubusz, Greater Poland and Kuyavian–Pomeranian Voivodships; and the whole of the Warmian–Masurian Voivodship.

²⁶ Urban poviats: Nowy Sącz, Świnoujście, Tarnobrzeg; Ostrów Rural Poviat (Masovian Voivodship).



Figure 5.5: Spatial differentiation of the number of supermarkets at the local level: cities and communes (Nuts 5) in 2010 and 2020

Explanations: (1) the same scaling has been used for both maps: the maps are comparable;
 (2) square root scaling

Source: own processing based on Statistics Poland (GUS) data (Local Data Bank: trade and gastronomy/stores and petrol stations/shops by organisation type)

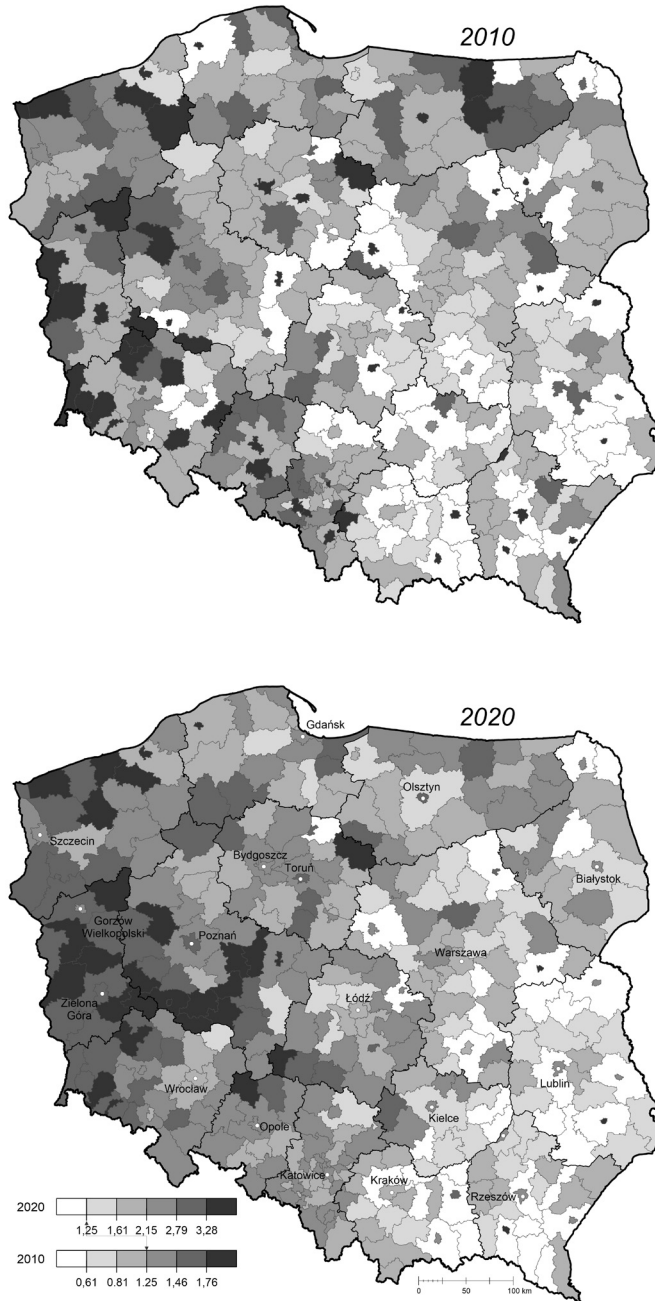


Figure 5.6: Spatial differentiation of the number of supermarkets per 10,000 residents at the local level: cities and communes (Nuts 4) in 2010 and 2020

Source: own processing based on GUS data (Local Data Bank: trade and gastronomy/stores and petrol stations/stores by organisation type)

In 2010, the spatial structure of the intensity of supermarkets had the features of a porphyry structure, in which urban poviats clearly stood out. This structure was indisputably visible in the eastern part of Poland. In northern, western, and south–western Poland, together with the Silesian Voivodship, urban poviats with the highest values positively stood out, but not as clearly as in eastern Poland. It is also worth noting that rural poviats containing or surrounding urban poviats were characterised by a clearly lower intensity of supermarkets. This was characteristic of eastern Poland in particular.

In 2020, the disproportions between urban poviats and the surrounding rural poviats were blurred as eastern Poland's urban poviats "fell in the ranking" compared to the advancing country poviats from northern and western Poland. It should also be noted that over the ten year period the phenomenon became clearly regionalised and a greater emphasis was put on the fact that the situation differed between eastern and western Poland. It is also difficult not to notice that the phenomenon was shaped by the post–partition reality. This historical legacy, despite over a hundred years passing, is still visible in Poland's socio–economic space.

5.3.2 The phenomenon of shopping centres²⁷

Similarly to the previously described phenomena in retail trade, it is difficult to characterise the case of shopping centres due to a lack of data. Such data are usually either incomplete or fragmentary, or difficult to assess and validate.

At the end of 2020, there were 738 shopping centres in the retail space, of which nearly three–quarters (541) were traditional shopping centres. Of the remaining 197, there were nearly 88 retail parks (45%), followed by 48 high streets (24%). Shopping centres located in the immediate vicinity of railway stations are noteworthy (14).

Several characteristic regularities accompanying the development of shopping centres over time can be observed. The emergence of shopping centres coincided with the transition of the Polish economy from being centrally controlled to a market economy. In the Polish socio–economic reality, this dates back to 1990–1992. Assuming a certain level of generalisation, it can be concluded that the number of shopping centres was systematically increasing from the 1990s to late 2014 and early 2015 (Fig. 5.7).

The number of shopping centres increased most dynamically in the 1990s and in the early 21st century. From 1999 to 2001, 115 shopping centres were created, 99 of which were traditional centres. In addition to the above–mentioned period, the number of

²⁷ This section is based on a publicly available, internet source from the website <https://prch.org.pl/pl/katalog-ch> (accessed in October 2020). This source contains information about: the name of a shopping centre, its type (traditional centre, specialised centre, mixed–use, outlet, retail park, shopping arcade, railway station, high street), location (city, province), area (GLA), status (open, closed, under construction, planned) and opening year. It is worth noting that the original database contains errors in the assignment of cities to individual voivodships.

shopping centres also increased in two more periods: from 2007 to 2009 and from 2014 to 2016. Specifically, 100 and 121 centres, respectively, were established in those periods. From 2016, there was a downward trend in the number of newly built shopping centres. Moreover, it is worth noting that the variable number of shopping centres was determined by the variable number of traditional shopping centres. With the exception of 1990 and 2000²⁸, the number of shopping centres other than traditional ones relatively systematically increased. More than half (126) were established in 2007. A substantial number of specialist shopping centres and outlets were built from 2000 to 2016. On the other hand, shopping centres at/near railway stations were established from 2012 to 2016.

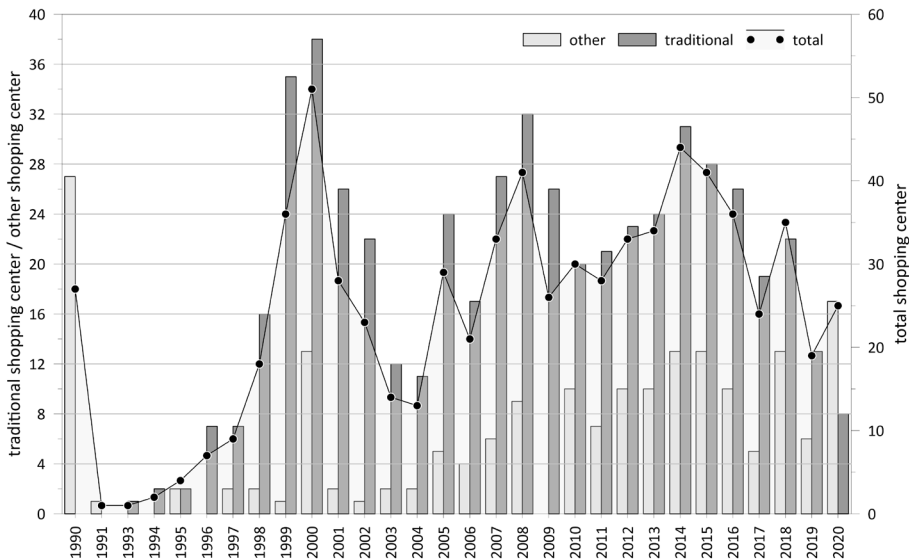


Figure 5.7: Development of shopping centres in Poland from 1990 to 2020

Source: own processing based on <https://prch.org.pl/pl/katalog-ch> (accessed in October 2020)

The commercial space of shopping centres was just over 14 million m² gross leasable area (GLA). Thus, the average Polish shopping centre has an area of nearly 19,000 m². The average traditional shopping centre is almost twice as large as the other types (21,500 m² versus 11,900 m² – 180%). The largest percentage of shopping centres have an area between 5,000 and 19,900 m². In total, these account for more than half of shopping centres (52%). Shopping centres with such an area also dominate among traditional shopping centres (48%) and other types of centres (63%). It is also worth noting that establishments with an area of less than 5,000 m² are more typical of other types of centres (24%) than traditional ones (11%). For the remaining three size categories of centres, the proportion of traditional shopping centres is 2–4 times greater. Thus, traditional shopping centres with an area of at least 20,000 m² constituted 41% of facilities, compared to less than 13% of centres in other categories.

²⁸ These local increases essentially occurred in high streets, which were usually not created outside of these two periods.

Overall, it is difficult to indicate the size category of shopping centres with the highest percentage of total area of all shopping centres. This is because facilities with areas of 5,000–19,900 m², 20,000–39,900 m² and 40,000–79,900 m² make up 30%, 31% and 29% of the total retail area of all shopping centres, respectively. The area structure of traditional and other shopping centres is different. Other shopping centres in the size category of 5,000–19,900 m² make up 52% of the retail area. It should be noted, however, that this applies to nearly 63% of establishments. The next three size categories of shopping centres (20,000–39,900 m²; 40,000–79,900 m²; 80,000 m² and more) make up, respectively, 17%, 17% and 10% of the retail area. As regards traditional shopping centres, facilities with an area of 20,000–39,900 m² make up the largest percentage of the retail area (34%). In this size category, as well as in the next two (40,000–79,900 m² and 80,000 m² and more), there is an overconcentration of space in relation to the number of facilities. Considering the variability of the number of newly built shopping centres over time, shopping centres with an area of:

- below 5,000 m², excluding 1990 and 2000, were built generally from 2008 to 2019 in varying numbers, with the maximum being built from 2014 to 2016;
- 5,000–19,900 m² were characterised by a visible upward trend in their number throughout the period with visible years of relative decline. The largest decreases were recorded from 2001 to 2005. After 2007, an average of 18 facilities was built each year. During this time, a maximum of 25 shopping centres were built in 2015;
- 20,000–39,900 m², after a sharp increase in number from 1999 to 2001 (44 facilities), these sharply declined in the next two years, so that the average number of newly built facilities was 5–6. This size category of shopping centres is, to a large extent, the opposite of the previous category in terms of numbers;
- 40,000–79,900 m² are characterised by a downward trend in the number of newly constructed facilities. Until 2007, there were (2) 4 to 6 new facilities, but from 2008 this number fluctuated between (1) 2 and 5 with slightly more than three new centres on average (Fig.5.8).

Looking at the overall structure of facilities in terms of their area, the share of centres below 20,000 m² increased in the following years, while the share of centres with an area of 20,000–39,900 m² consistently decreased. It fell from 40–50% at the beginning of the period (1994–1996) to 8–20% at the end (2018–2020).

Comparing the number of shopping centres with the size category of their locations expressed by the number of residents, it can be noticed that the degree of concentration of shopping centres is generally correlated with the population of the location. It can also be noticed that the proportion of the population living in locations where shopping centres are located is generally slightly higher than the proportion of the number of shopping centres. Cities with a population of at least 100,000 residents and more have nearly 60% of the population compared to 55% of the total shopping centres. On the other hand, other shopping centres in this size category of cities already have 66% of their number, with voivodship capitals having 57% of their number. Thus, specialised shopping centres, in the broadest sense of the word, are typically located in voivodship capitals. In sub-regional centres (50,000–100,000 residents), there are slightly more than 18% of the

total shopping centres with a comparable population concentration. In this size category of cities, as well as in the next one (20,000–50,000 residents), traditional shopping centres have a visible advantage in the structure.

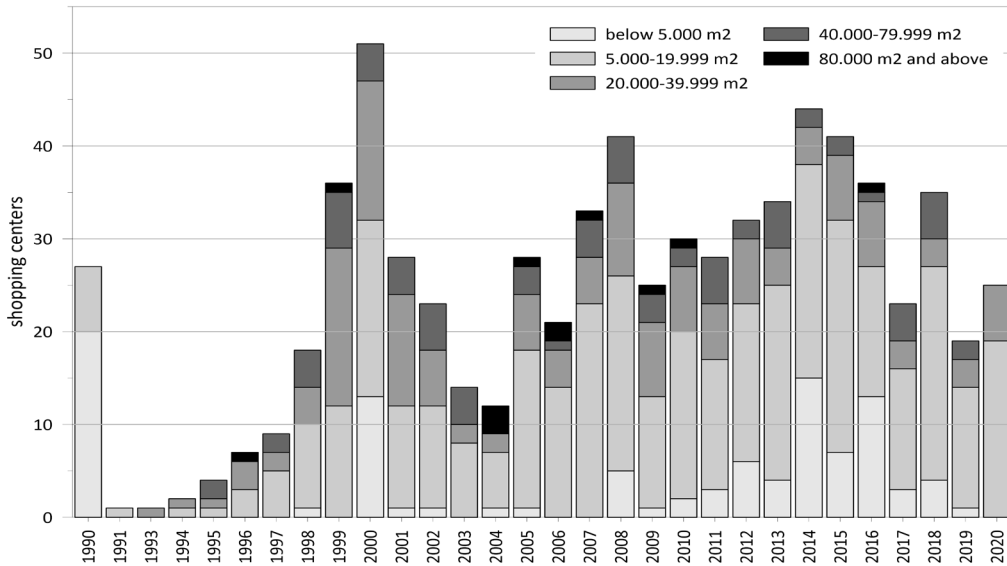


Figure 5.8: Shopping centres in Poland by area (GLA – m²) from 1990 to 2020

Source: own processing based on <https://prch.org.pl/pl/katalog-ch> (accessed in October 2020)

There are four stages in the development of shopping centres to date. In distinguishing these, the number of new centres emerging in a given period and the relative dynamics of increase in their number have been taken into account. The first period was the initial phase (1990–1997) in which, apart from 1990, a new form of retail trade entered the market (Fig. 5.9).

These were established in 16 locations, most of which were the largest cities; however, the first non-urban locations (Raszyn, Komorniki) had already appeared. The second period (1988–2004) was a phase of the relative popularity of shopping centres in relation to the first phase. During this time, 64 new shopping centre locations appeared.

These were already established in all regional centres with the exception of Białystok. There is also a visible tendency to establish shopping centres in locations of lower hierarchical levels. Locations of lower hierarchical levels are primarily large cities which were the capital cities of voivodships before administrative reform (1998). Moreover, there is a noticeable tendency to correlate the presence of shopping centres with population concentration (Silesian and Lower Silesian Voivodships) and the development of suburban zones (Warsaw, Wrocław). The third period (2005–2016) was the phase of completion, in which 113 new locations appeared, yet in each of them no more than five new shopping centres were established over the 11-year period. It is worth noting that, except for Warsaw (20 new facilities), in the previous phase, a maximum of nine new shopping centres

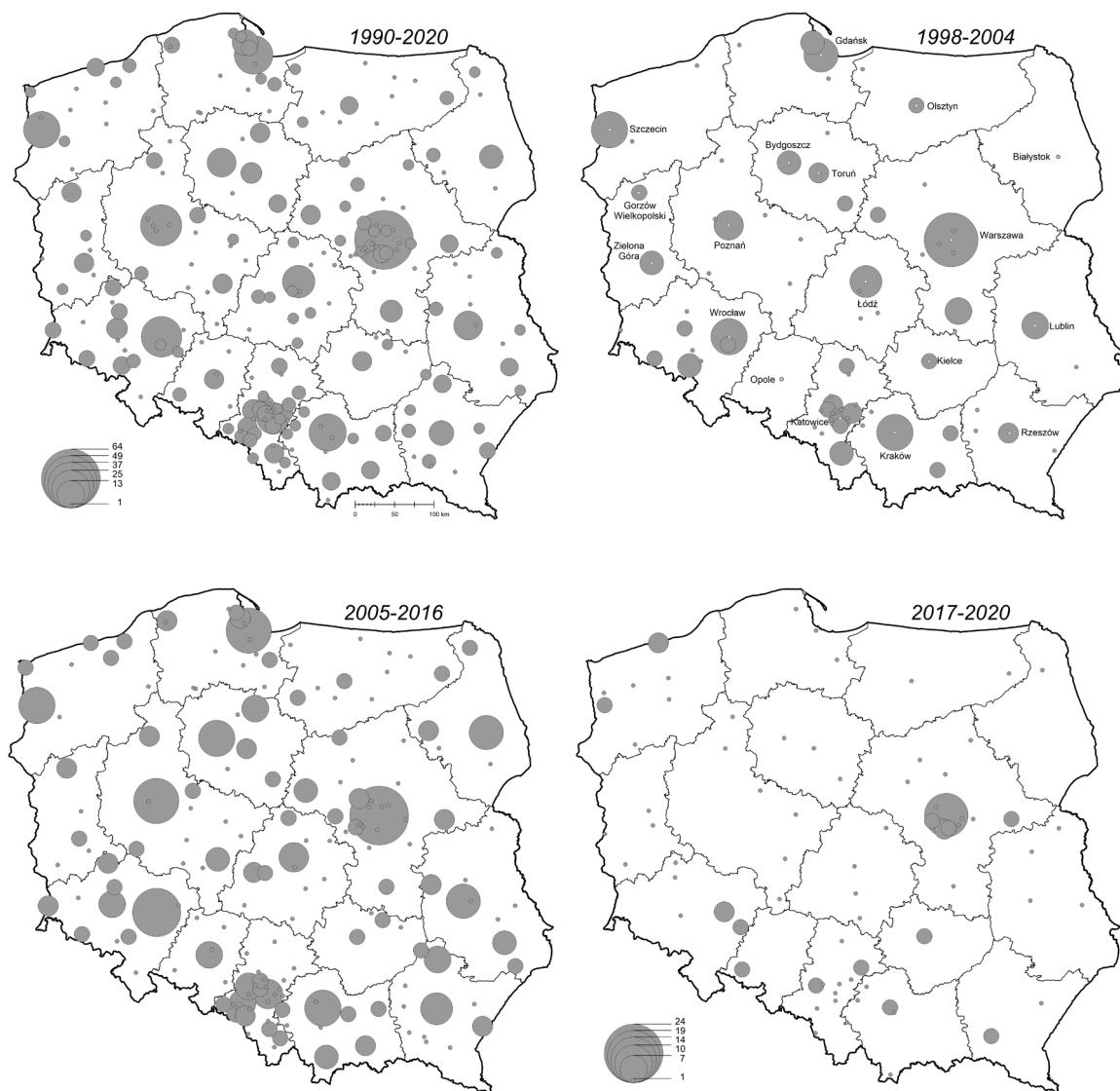


Figure 5.9: Time and space diffusion of shopping centres in Poland from 1990 to 2020

Explanations: (1) square root scaling has been applied in all maps; (2) maps with distinguished time periods are comparable

Source: own processing based on <https://prch.org.pl/pl/katalog-ch> (accessed in October 2020)

were opened in a given location. During this phase, one shopping centre was built in each of 85 new locations. The fourth period (2017–2020) was a saturation phase characterised by a systematic decline in the number of newly built shopping centres. During this period, essentially one shopping centre emerged in in each of 27 new locations. In the case of other locations (40), except for Warsaw (13), there were no more than three new centres in

each location. Looking at the overall picture of the spatial differentiation of the number of operating shopping centres, it is difficult to find a specific pattern of spatial differentiation. On the other hand, regional centres are clearly visible as shopping centre locations, followed by sub-regional centres and areas of increased population concentration on a national scale. The picture from 2020 is the sum of the distinguished phases of the development of shopping centres and the outlined patterns of their chain formation. It is worth noting that the regional differentiation and number of shopping centres clearly compares with the spatial differentiation of hypermarkets (Fig. 5.4).

5.3.3 Case studies of large-format retail chains: A temporal and spatial perspective²⁹

It is impossible to describe the temporal and spatial variability of all formats of large-format retail trade and chains. This is due to the enormous dynamics of the phenomenon.

Just like Kaufland, the Tesco chain belongs to the so-called late arrivals on the Polish market. The first Tesco hypermarket was opened in 1998, although the beginnings of investing capital date back to 1995. The case of Poland is interesting because from 2020 the chain has been closing down its stores in this country. The main reason for the withdrawal of this chain from Poland was the expansion of discounters (Biedronka, Lidl). This was also combined with changes in purchasing preferences, incorrectly located stores, maintaining unprofitable outlets, centralisation of deliveries and marketing communication throughout Central Europe³⁰. The chain was acquired in 2020 by the Salling Group, the owner of the Netto chain. It took over the entire business for PLN 900 million, including its 301 stores, two warehouses and approximately 7,000 employees. The current owner intends to transform the acquired stores into Netto 3.0 stores³¹. There are three phases in the quantitative development of the chain. Namely, in the first one, until 2004 inclusive, the total number of stores oscillated around 50 establishments (Fig. 5.10). In the following five years, this number increased each year by 27 facilities on average (16–41) to reach nearly 200 (197) by the end of the period. In 2010, 41 more facilities were opened and this systematically increased to reach the maximum in 2015. It is worth noting that with the increase in the number of facilities, the number of locations in which Tesco stores were located also went up.

²⁹ In this study, the description of the changes in the number and spatial differentiation of the number and location of facilities/outlets of a given chain and format of large-format retail is presented for six case studies, namely: Tesco, Kaufland, Lidl, Dino, Netto and Intermarche. In the case of Netto and Intermarche, the temporal and spatial expansion is presented synthetically.

³⁰ In 2015, the chain started the cost optimisation process. Of 455 Tesco stores, 135 were closed, and in 2019 it was decided to reduce all hypermarkets to the compact format and the product selection on offer was reduced, but this did not generate profits, Patryk Pallus, "Goodbye, Tesco! Tak wyglądała historia brytyjskich sklepów w Polsce", *Business Insider Polska*, June 20, 2020 (accessed on 13 March 2021).

³¹ The last Tesco stores in Poland were closed on 29 October 2021. "Transformacja sklepów Tesco – Tesco" (accessed on 31 October; *archived on 28 October 2021*), <https://tesco.pl/transformacja-tesco/> (accessed on 25 April 2022).

The dynamics of the changes in the number and location of new facilities were strongly similar, if not identical. In 2000, there were 24 stores located in 17 cities. Voivodship capitals accounted for almost half of these (7). The stores were largely concentrated in the Silesian Voivodship. In Warsaw, Poznań, Łódź and Kraków, there were at least two supermarkets (4, 3, 2, 2, respectively). In 2005, the number of facilities (81) and locations (56) increased more than threefold. Except for Gdańsk and individual locations, a significant number of Tesco supermarkets were located to the south and west of the Gorzów Wielkopolski–Bydgoszcz–Warsaw–Kraków line. In addition to the increase in their number, in at least two cities with a population of 100,000 and more residents, new locations visibly tended to be lower in the settlement hierarchy. Among these locations are the seats of rural poviats, which have the character of local centres in a given region (for example, Namysłów–Opolskie, Jawor–Dolnośląskie, Łuków–Lubelskie). In addition to singular locations, a greater number of facilities were in the Silesian Voivodship (Fig. 5.10). In 2010, there were 334 facilities in 210 locations in Poland. The Tesco chain covered the entire country with a clear dominance, expressed in the number of facilities, in the largest urban centres in the country. At the same time, it is visible that the number and distribution of facilities were related to the population numbers in individual voivodships (Lower Silesian, Silesian), the population density and economic development in a broad sense (a letter "L" arrangement³² plus Łódź and Warsaw). It is also worth paying attention to the previously identified regional belt of the so-called large cities stretching from Szczecin through Gorzów Wielkopolski – Zielona Góra – Głogów – Lubin – Legnica – Wałbrzych (Świdnica, Dzierżoniów). In 2020, the number and locations of facilities were strongly similar to those in 2010 (9,301/224). Although the chain did not lose its nationwide character at the end of 2020, most stores were located in large urban centres and in densely populated areas across the country. It is worth noting that the so-called large city belt practically disappeared. To put it simply, the structure of spatial differentiation "shifted back" to the 2005 state.

The Kaufland chain has been present in Poland since 2001. The first store was opened in Stargard Szczeciński³³. In 2020, the chain, just like Netto, took over several facilities belonging to the restructuring Tesco Polska group (including in Warsaw, Kraków, Gdańsk and Wrocław). In the case of this chain, even more than in the case of Tesco, the dynamics of the increase in the number of stores and their locations overlap (Fig. 5.11).

The increases in the number of new facilities over time can be described as relatively proportional. In 2005, except for Chorzów (2), there was one facility in each of 74 other locations (Fig. 5.11). By 2005, the chain could be described as nationwide. Moreover, the chain's establishments were located in large, medium and small cities, with the exception of those with less than 10,000 residents. In the next period, until 2010, the market position of the chain strengthened. The number of facilities (144) and their locations (132) nearly doubled. As regards spatial differentiation, except for the aforementioned Chorzów, the most important were the so-called "big five" cities (Warsaw, Kraków, Poznań, Łódź

³² This stretches along the line of the following cities: Gdańsk, Bydgoszcz–Toruń, Poznań, Wrocław, Opole, Katowice, Kraków.

³³ Kaufland, *Sieci Handlowe w Polsce*, 23 January 2017 (accessed on 15 August 2018).

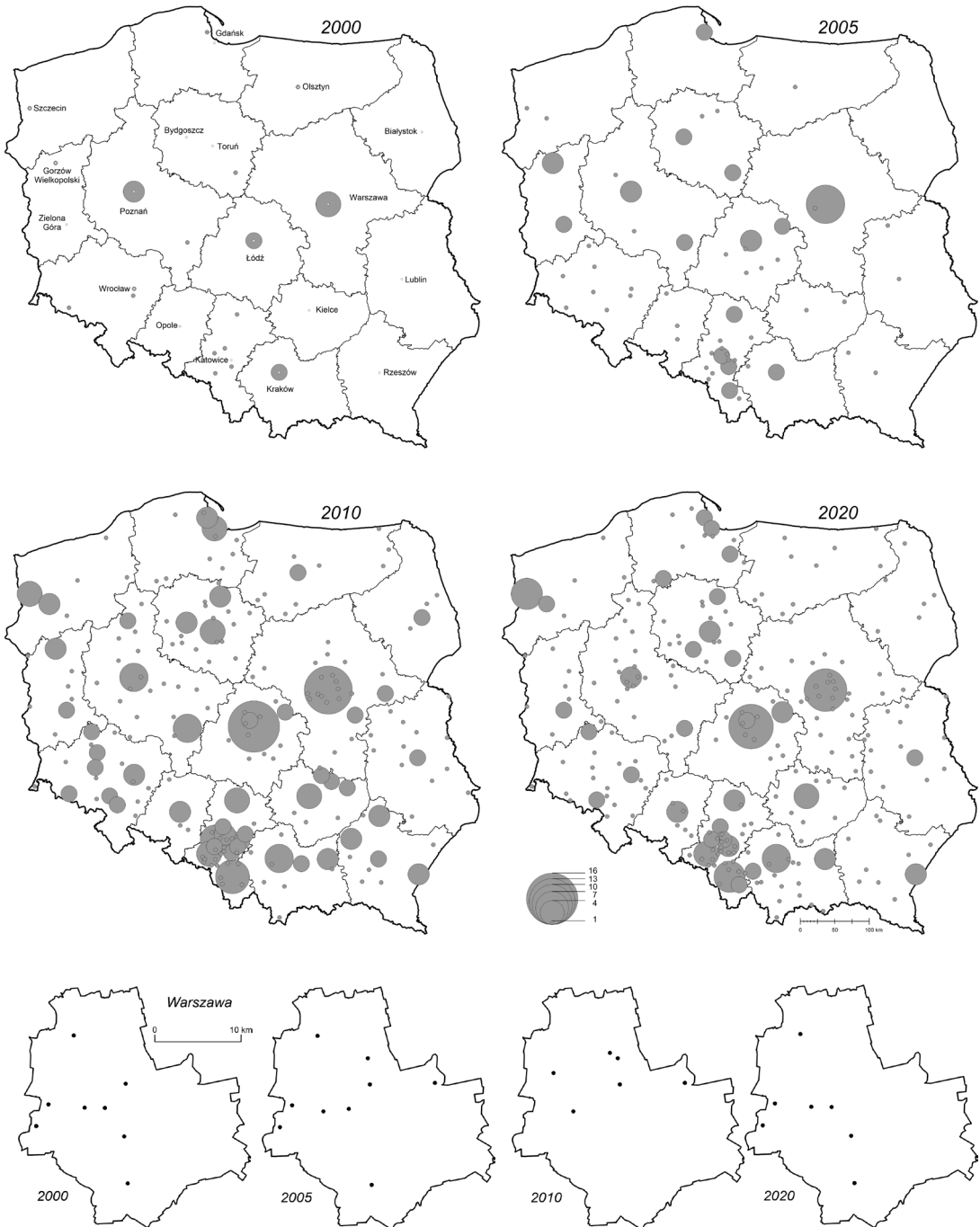


Figure 5.10: Temporal and spatial diffusion of the Tesco chain in Poland

Explanations: (1) square root scaling has been applied in all maps; (2) the maps are comparable

Source: own processing based on data provided by Waldemar Wilk (University of Warsaw) and data obtained from the Tesco website – September 2020

and Wrocław). In 2020, no new characteristic elements were basically introduced in the image of spatial differentiation. With an increase to 221 facilities in 49 new locations, the chain was located fairly evenly across the country. The majority of the chain's stores were in regional centres and in the Silesian Voivodship, which is characterised by a high concentration of population. This chain can be said to consistently drain the market, compete with other chains by being present in large urban centres and accumulates benefits resulting from locations in cities of lower hierarchical levels.

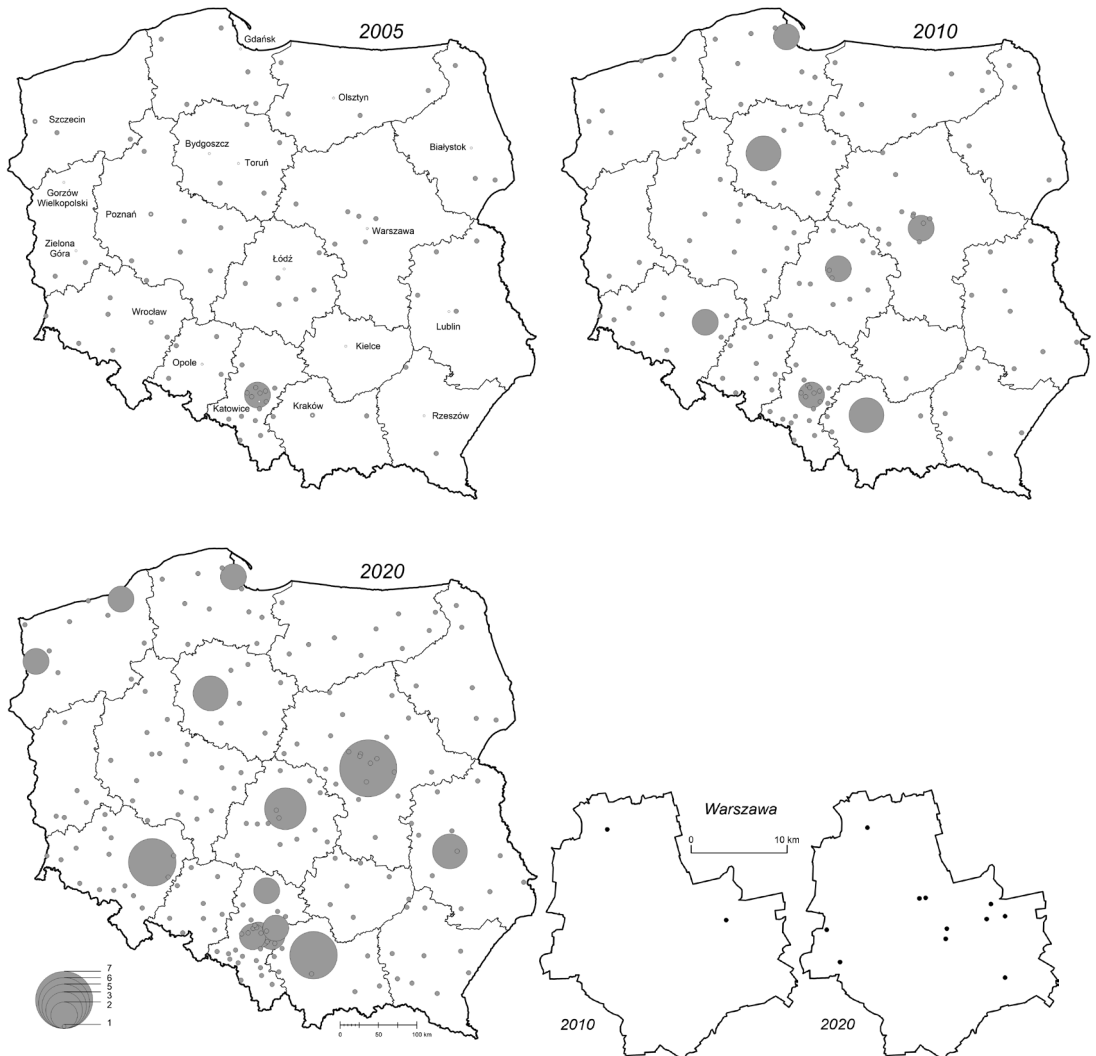


Figure 5.11: Temporal and spatial diffusion of the Kaufland chain in Poland

Explanations: (1) square root scaling has been applied in all maps; (2) the maps are comparable
 Source: own processing based on data provided by Waldemar Wilk (University of Warsaw) and data obtained from the Kaufland website – September 2020

The first Lidl store was established in Poznań in 2002. However, by the end of this year, there were 35 stores in 34 locations. In 2005, there were already 165 facilities in 124 locations (Fig. 5.12). After just three years, the chain covered the territory of the entire country. If a certain degree of generalisation is applied, two features of spatial differentiation of the location and number of facilities of the analysed chain can be noticed. Firstly, it was more characteristic of western than eastern Poland. Secondly, apart from Warsaw, Szczecin, Łódź, Kielce, Lublin and Rzeszów, the main concentration concerned 4 (5) voivodships, namely those stretched along the Gdańsk–Bydgoszcz–Poznań–Wrocław–Katowice (Kraków) route. The Silesian Voivodship deserves attention due to a systematically growing number of locations and facilities. The next two periods, 2010 and 2020, saw systematic increases in the number of facilities (577/718) and their locations (321/358).

However, it is difficult to notice any changes in the spatial structure of the chain over these 20 years. It consistently expanded and competed with other chains in the largest urban centres in the country, in particular in urban centres of over 100,000 residents. It is also worth noting that, in relation to the previously analysed chains, the discount chain was characterised by a much larger number of facilities. These were not just a few establishments in the largest cities, but a dozen or more (Wrocław – 19, Szczecin – 15, Bydgoszcz – 13, Katowice – 13, Lublin – 12), or several dozen (Warsaw – 36, Poznań – 26, Kraków – 20, Łódź – 20, Gdańsk – 20). In addition, the chain was clearly present in 19 non-urban locations.

Dino Polska S.A. is a Polish chain of grocery and industrial stores founded in 1999 by Tomasz Biernacki. Due to the dynamic development of the chain, he established the limited liability company Dino Polska Sp. z o.o. in 2007, into which all Dino stores were brought over the next three years. The further development of the chain forced him to transform it into a joint stock company³⁴. This is a special case of a Polish chain which developed dynamically in a relatively short time. Moreover, its spatial expansion was area-based, not point-based. It was developed, if not entirely, to a large extent in neighbouring locations, and not by capturing bridgeheads in successive (large) cities. Since 2006, the number of facilities constantly increased in more locations (Fig. 5.13). It is worth mentioning that the average growth from 2006 to 2020 was nearly 130%. Importantly, apart from two cases when the dynamics of changes in the number amounted to 114% (78/89, 2008/2009) and 163% (145/237, 2011/2012), the remaining increases in the number of facilities ranged from 123% to 137%. These are impressive increases that multiplied the number of facilities from 69 to 1,496 over the 15-year period until the end of 2020. In addition, the number of locations grew from 45 to 553, which was equally impressive. It is worth noting that, on average, the Dino chain had nearly 2.5 facilities in each location.

Until the late 2012 and early 2013, most Dino locations were urban. In 2020, urban locations already had a nearly 140% advantage over non-urban areas (553 locations in cities versus 755 in rural areas, with 376 and 746 facilities, respectively).

³⁴ "Jaka jest historia sieci Dino, która debiutuje na GPW? – Handel/dystrybucja", www.portalspozywczy.pl, <https://www.portalspozywczy.pl/handel/wiadomosci/jaka-jest-historia-sieci-dino-ktora-debiutuje-na-gpw,142197.html> (accessed on 22 March 2017).

In 2006 and 2010, apart from the increase in the number of facilities and new locations, the spatial structure of the Dino chain did not change significantly (Fig. 5. 13). Nearly one-third of the facilities and locations were concentrated in the Greater Poland Voivodship. The Lower Silesian Voivodship was the second region in terms of the concentration of the chain. However, in this case, the concentration of facilities was clearly higher than the number of locations. Compared to 2006, in 2010, the Łódź Voivodship started to gain importance (on average a 5% concentration of the number of facilities and locations). In 2006, the spatial structure can be described as "point-based", which in 2010 turned into "area-based", aimed at strengthening the position of the chain in the Greater Poland and Lower Silesian Voivodships, with the simultaneous expansion of its offer in the next three regions (Kuyavian–Pomeranian, Łódź and Opole Voivodships). By 2012, the Dino chain was saturated in regions where it already had branches. The Łódź and Lubusz Voivodships gained in importance. The Greater Poland Voivodship did not lose its dominant role, but its importance in the chain was below 50%. The new regions in which the chain appeared were the Silesian and West Pomeranian Voivodships. The chain's development strategy consists of successively locating new facilities in areas directly adjacent to those already covered by it. This is perfectly visible when comparing the images of the spatial diversity of the chain from 2012 and 2020. On the one hand, except for the West Pomeranian Voivodship, the concentration of the number of facilities and locations increased in the voivodships where the chain operated. On the other hand, the chain expanded into the neighbouring voivodships locating its individual facilities in the furthest voivodships (Warmian–Masurian, Podlaskie, Lublin and Lesser Poland).

It is worth paying attention to the fact that in 2020 the Greater Poland Voivodship contained, on average, one-quarter of Dino's locations and facilities. The Lower Silesian and Łódź Voivodships had a similar market share. The Lubusz and Silesian Voivodships stood out. This method of chain development is consistently concentric and involves relocating and increasing the share of locations in rural areas. It is a strategy of looking for new clients, consumers, not by competing with other chains, and clearly locating new facilities in non-urban areas.

Using the example of the four analysed chains and two cities³⁵, it is difficult to draw conclusions about the location of individual facilities (Fig. 5.10, 5.11, 5.12, 5.13). It can be said, without trying to generalise, that the locations of the analysed chains in individual settlement units were centripetal – towards the centre, or centrifugal – outside the centre. The determinants of this and no other type of spatial expansion, and location, depend on many factors. These include the issue of available space for new investments related to trade, the allocation of new areas, the policy of local authorities, and so on.

³⁵ In the case of the Dino chain, Ostrów Wielkopolski was selected due to the largest number of facilities located there in 2020.



Figure 5.12: Temporal and spatial diffusion of the Lidl chain in Poland

Explanations: (1) square root scaling has been applied in all maps; (2) the maps are comparable

Source: own processing based on data provided by Waldemar Wilk (University of Warsaw) and data obtained from the Lidl website – September 2020

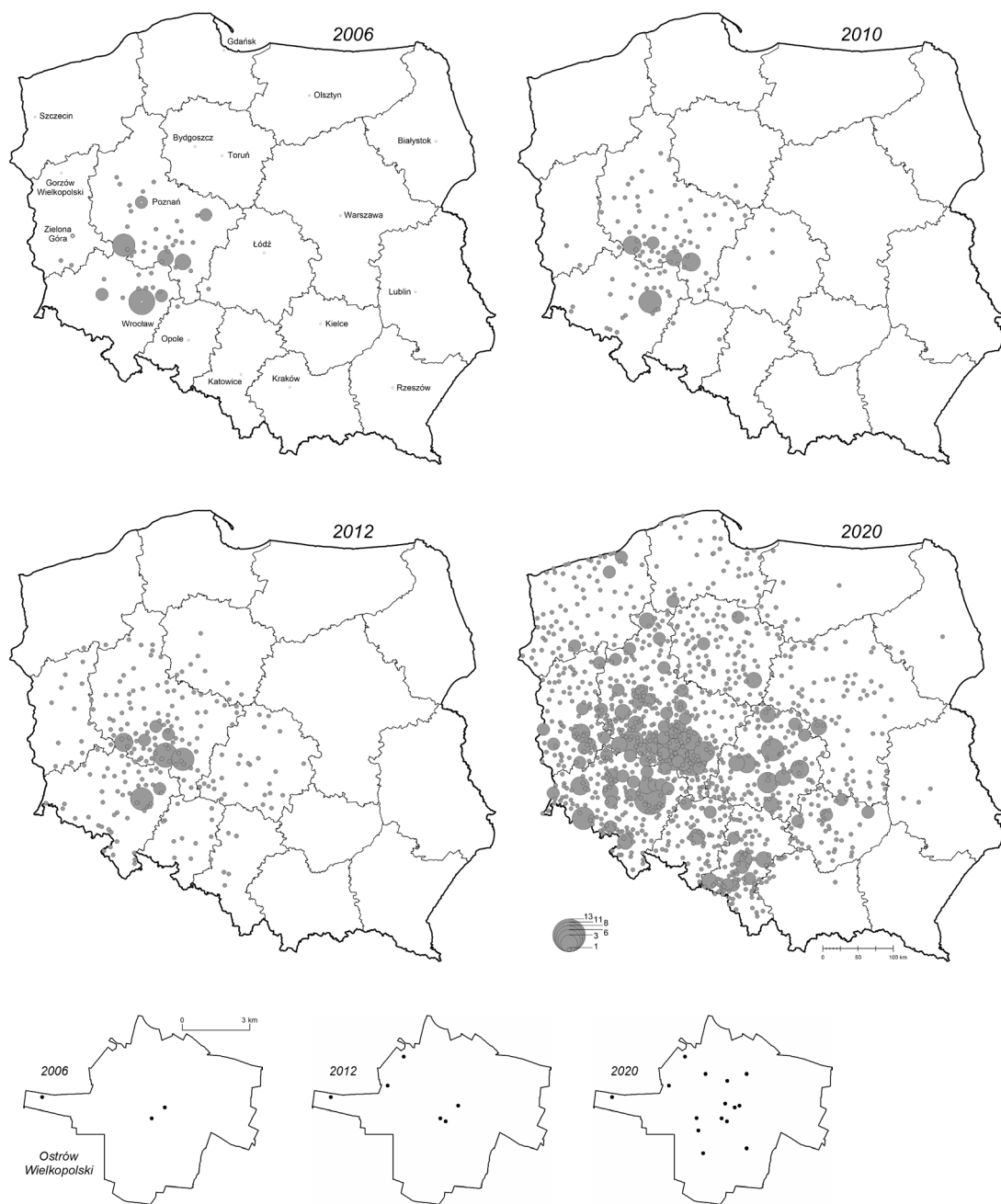


Figure 5.13: Temporal and spatial diffusion of the Dino chain in Poland

Explanations: (1) square root scaling has been applied in all maps; (2) the maps are comparable

Source: own processing based on data provided by Waldemar Wilk (University of Warsaw) and data obtained from the Dino website – September 2020

When researching the business activity of a single entity, enterprise or chain of institutions, without information directly from them, one can only assume what is behind such a strategy, and not any other, of its development. Using the examples of the Netto and Intermache chains, other, but possible, synthetic patterns of expansion of a given chain in the Polish market are shown. Generally, both chains expanded gradually and consistently from the (north) west to the east of Poland (Fig. 5.14). Until 2005, Netto strengthened its position in four (West Pomeranian, Lubusz, Greater Poland and Kuyavian–Pomeranian) out of six voivodships. This was manifested in an increase in the chain density, location and the number of facilities in the largest cities in the area where they were located. However, in the case of Intermarche, in 2000, 17 facilities appeared in 16 locations for which it is difficult to find any spatial pattern. In the following period, the facilities of this chain were located in 13 voivodships³⁶.

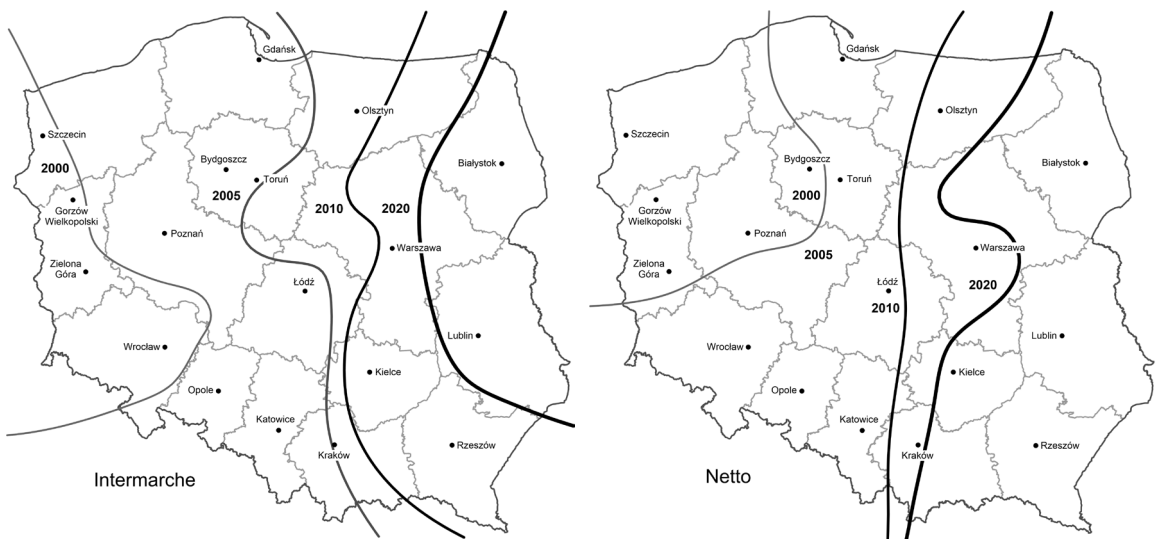


Figure 5.14: Range of the maximum presence of Netto and Intermarche chain stores in 2000, 2005, 2010 and 2020

Source: own processing based on data provided by Waldemar Wilk (University of Warsaw) and data obtained from the Netto and Intermarche websites – September 2020

However, a significant number were to the west of the Gdańsk – Łódź – Kraków line. To the east of this, there were 11 out of 87 facilities. The next five years (2010) were marked by an increase in the number, locations and, thus, the density of facilities. Until 2020, this line of locations slightly shifted to the east. However, apart from the visible increases in facilities in large cities, there were no significant changes in the chain. On the other hand, between 2010 and 2020, the maximum range of the Netto chain’s expansion was established along the Olsztyn – Warszawa – Kielce – Kraków line. Owing to this new area occupied after 2005, the chain densified and became concentrated in the area of the Upper Silesian conurbation and the Warsaw metropolitan area. Moreover, the source area from which the chain expansion began saw significant increases in the number of new facilities, with

³⁶ This chain had no establishments in the Mazovian, Lublin and Świętokrzyskie Voivodships.

particular emphasis on the largest urban centres. Knowing that the Netto chain took over a significant number of the sales outlets belonging to the Tesco chain, one should expect that the position of the Netto chain will become stronger in major Polish cities and in highly concentrated population areas across the country (Fig. 5.10 and 5.14).

5.4 Conclusions, trends in retail trade and COVID-19

It is not necessary to prove that each country, its economy and social life have characteristic features and their own conditions. On the other hand, the inclusion of economies in the global economic, social and political circulation makes them uniform. This makes the existing mechanisms, processes and general regularities similar, regardless of latitude and longitude. The same applies to Polish trade, or retail trade, and its geography. In Polish retail trade, two periods can be distinguished for which the turning point was the late 1980s and early 1990s. The period from World War II to the end of the 1980s was marked by the development and functioning of retail trade in the reality of a centrally controlled economy. It was dominated by socialised trade establishments with an increasing share of cooperative trade. In the first decade after the end of World War II, the private sector had a visible share of retail trade. On the other hand, from the 1960s onwards, the private sector had a symbolic meaning in trade. Commercial activities, including retail, flourished in the shadow of industrial and agricultural activities. The development of services, including retail trade, was not as important as the development of the production of material goods and food. This was indirectly, if not directly, due to the lack of an economic theory of services corresponding to the theory of material production. It was the result of long-term state policy favouring the development of production at the expense of services. This undoubtedly translated into the development of economic and geographic research on service activities, including trade. It was conditioned by at least a modest information resource of official statistics describing the service sector or service activities.³⁷ The result of this economic policy is the statistical service, which is a natural information base for scientific analyses (Ilnicki 2009; Jakubwicz 1993; Kłosowski 2021; Nowosielska 1972).

The late 1980s and early 1990s was a time when revolutionary changes took place not only in Polish political, social and economic reality. These were of both a quantitative and qualitative nature. Among the key changes were the introduction of market mechanisms and the liberalisation of the economy and the market. As a consequence, foreign capital appeared and the share of the private sector grew in the structure of the means of production (see Gosik 2016). Globalisation was the overarching process which was systematically gaining importance. Joining the structures of the European Union was of no less importance, not only for Poland. The above-mentioned factors have been affecting changes taking place in trade understood in a broad sense, including in retail trade, for

³⁷ It should be noted that, despite the modest content describing retail trade, the published data have changed in terms of the way in which they are compiled and aggregated and the issues they concern. Generally, these changes took place over the ten successive years under study as a consequence of the political and economic transformations in Poland.

the last 30 years. These changes to a varying degree and configuration are visible in all post-socialist countries (for example, Wilk 2004, 2013; Kaczmarek 2010).

In Polish retail trade, quantitative and qualitative changes took place in parallel, with varying intensity over time. Only later did the structural changes come to the fore. The first symptom of the changes taking place in the retail trade was the emergence of new formats of retail outlets and shops. Initially, these were mainly hypermarkets, with a simultaneous growing number of supermarkets. After some delay, discount stores began to appear, dynamically gaining importance in the structure of the retail trade. At the moment, the Biedronka and Dino chain stores are the dominant discounters. Another characteristic feature of the development of the retail trade was the appearance of well-known convenience stores or franchise chains. Among franchise chains, the Żabka chain of stores has recently been developing dynamically. Modern trade, particularly large-format trade, developed in the late 1990s. This was a direct consequence of the ongoing concentration and consolidation processes related to foreign capital investments in trade. However, from the early 21st century, modern shopping centres began to appear. It is said that Polish large-format trade has reached saturation level (Gwosdz and Sobala-Gwosdz 2008), which, however, does not inhibit further increases in retail outlets or the quantitative and structural development of the operating retail chains. The characteristic features of contemporary Polish retail trade include:

- the increase in the number of retail outlets, and in particular in their sales space;
- the increase in the share of the large and largest outlets in the sales area, and the decreasing importance of the smallest outlets;
- the continuing concentration and consolidation processes in trade (cf. Gazdecki 2010);
- the increase in the number and share of enterprises running at least 50 stores;
- the systematic quantitative, qualitative, structural and ownership changes in commercial activities as a whole, as well as in retail trade (for example, the withdrawal of Tesco from Poland, the termination of business activity by the Polish Piotr i Paweł chain of grocery stores);
- the continued importance and share of foreign capital in Polish trade, with a clear dominance in food trade;
- the changing structure of store type with a decreasing share of grocery stores³⁸;
- the continued visible geographic proximity between the investor's home market and the (Polish) investment market;
- without sufficient data from individual chains, Wilk's (2013) statement seems to be true in that it is difficult to "... categorically say that the pace of chain development depends... on the way it is managed, on the guiding organising principle..." (p. 220);
- the high dynamics of the development of discount, franchise and convenience chains.

³⁸ In Polish statistics after 1989, general grocery stores dominate the typological structure, followed by clothing stores. It should be noted, however, that the current category of stores with "various specialisations" (the remaining ones) accounts for about 40%. Thus, it can certainly be said that the typological structure of stores is dominated by non-grocery stores.

It is worth focusing for a moment on the so-called geography of trade, that is, the issue of the spatial diffusion of chain (large-format) retail trade. It is worth noting that the conclusions formulated by Wilk (2013) that the construction of a chain of the largest stores (hypermarkets) starts in the largest cities and then progresses down the hierarchy of settlement units remain in force. This trend is less visible in the case of discount chains. Namely, there is a smaller share of discount stores in medium-sized cities (20,000–100,000 residents), particularly in cities which are sub-regional centres (approximately 50,000 residents). Another type of spatial expansion of chains is that to further areas (regions). This strategy is typical of discount chains (for example, Netto, Intermarche, Dino) and convenience store chains. Their development usually runs around distribution centres until the cities with an appropriate potential, expressed in the number of residents and potential consumers, are saturated by the chains.

It is undisputed that the COVID-19 pandemic has left its mark on a global scale and affected the economies of individual states. Individual countries and economies have dealt with its consequences in different ways. Generally, the pandemic brought losses and negative economic results. At least, that was the narrative of entrepreneurs. This was also the case with services, including trade and the retail trade. Of course, it should be noted that the costs of the pandemic are assessed differently depending on what perspective is taken, that of entrepreneurs or customers. During the pandemic, particularly in 2020, basically only grocery stores were open. Other types of trade and services did not function, or they operated in the so-called sanitary regime. Non-commercial services were alternately opened and closed, or different sanitary restrictions were imposed on them. The most difficult year was 2020, which particularly affected activities related to: the hotel industry, accommodation, restaurants, gastronomy and personal services. In Poland, the restrictions imposed on trade and services were relaxed before Easter, Christmas and the holiday season. In the case of festivals, stores other than groceries, as well as shopping galleries and shopping centres, were opened. During the holiday season, the prohibition of movement was lifted and hotels, guesthouses, holiday homes, and so on were allowed to accept guests with an occupancy rate of up to 50%. The basic problem for commercial and service entities was, on the one hand, to maintain employment and, on the other hand, to repay current fees for rent, premises, energy, and so on. Cost optimisation took place particularly during the first wave of the pandemic. This mainly involved sending employees on leave, and entities (subsidiaries) subordinate to larger entities very often dismissed them later on. These entities were also very often liquidated.

However, it should be noted that starting from late 2020, Polish service providers, including trade, began to systematically make up for losses. The successive waves of the pandemic were successively suppressed in the government's narrative and actions despite the high numbers of reported cases of infections and deaths. It can be said that the problem of the pandemic was downplayed. The Polish economic reality, after two years of the pandemic, returned to "normal" functioning. It is worth noting that as a consequence of the pandemic, trade has clearly started to move online. This process applied to each size category of entity. E-commerce is among

the dimensions of the new geography of trade which have been exacerbated by the pandemic situation³⁹.

In media reports, there are statements that Polish society has moved online with purchases. This seems to be a slight overstatement though. It is a fact that e-commerce in Poland has one of the largest year-on-year increases across Europe. According to Statistics Poland, over 60% of Poles regularly buy online (www.stat.gov.pl). Over the last four years, the percentage of people using online stores has increased by 19%. There is no doubt that this process was accelerated by the pandemic. During the pandemic, the safety of this form of shopping was not without significance. According to Gemius (www.gemius.pl), during the pandemic, 30% of consumers bought more products online, and 33% shopped more often. Additionally, 13% of respondents admitted that online stores were their first choice when looking for the things they needed. Most often, understandably, transactions were in Polish e-stores (75% of respondents). On the other hand, purchases were less frequent on non-Polish-language websites (32%). In 2020, the most popular products purchased online were: clothing, footwear and sports equipment. Cosmetics, electronics, furniture, interior decorations and garden equipment were also very popular.

In 2021, according to the Gemius report (www.gemius.pl), as many as 77% of internet users made purchases online at least once (4% more than a year earlier). These were primarily women aged over 35, with higher education and living in large cities. According to a Mediapanel study (<https://media-panel.pl>), at the end of 2021, the number of internet users who used online shopping amounted to nearly 23 million people. It is estimated that currently the Polish e-commerce market is worth PLN 93 billion. Over the next five years, its value is set to increase to PLN 162 billion. Polish e-commerce has the highest year-on-year growth across Europe. Currently, about 150,000 enterprises sell their products and services online.

Despite the increasing share of e-commerce in trade as a whole, it would be risky to say that the preferences and purchasing behaviour of Poles have changed significantly. Although there are no post-pandemic studies on this matter yet, it seems that a good starting point for investigating what has happened after the pandemic are the studies by Maciejewski (2016, 2017) and Twardzik (2016). Although they are not representative, they shed light on consumer behaviour and decisions. Polish consumers mainly go to discount stores to buy food and cleaning products. They buy elective goods, such as electronics, household appliances, as well as clothing and footwear, primarily in specialist stores. Shopping centres are becoming more and more important in the structure of retail trade in Poland. In the opinion of consumers, shopping should, above all, be pleasant, but it should also keep up with innovations, taking account of an individualised approach to consumers. Consumers rate specialty stores the highest. Moreover, consumers report an increasing demand for this type of retail outlet format (Maciejewski 2017). It is also worth noting that shopping malls and centres are perceived and treated as places, while commercial facilities are seen as an offer complementing retail chains (see Twardzik 2016).

³⁹ Delivering catering orders is another service that has been continued after the pandemic (for example, Glovo, Bolt).

6

SOCIO-ECONOMIC CHALLENGES IN RETAILING: PAST EXPERIENCE AND FUTURE PERSPECTIVES

Josef Kunc, František Križan

Retail in the Czech Republic, Slovakia, Poland, and Hungary has changed a lot in the course of the past three decades. This period, which we call a transformation period, has brought plenty of new elements into retail that are reflected not only in the functional but also in the spatial organisation of the retail network. After decades of a closed system under the centrally run economy, when the “imperialistic”, read global, impacts manifested themselves only in a limited amount, an open market economy system followed. The new system was evident also in the retail sector, and it belonged to the most dynamically changing economic sectors with significant manifestations of global processes. Even before this happened, various forms of retail privatisation had taken place in all countries, with domestic capital participation. Not always brought expected privatisation, particularly successful results (McCollum and Gentle-Marsh 1995; Baláž 1996a). Demand from consumers steadily increased; foreign products were sought after, in particular, as they were new, “extraordinary”, rare in the socialist times. It was also the reason why the process of retail internationalisation manifested itself significantly in the early stages of retail transformation. As assessed in individual chapters, the effects of internationalisation were general; however, in terms of the targets related to the national market entrance, their diffusion in space manifested itself specifically (Tatoglu et al. 2003; Knežević et al. 2014). By comparing the expression of retail in the V4 countries, it may be concluded as follows:

- The internalization has brought large-space retail stores in the form of supermarkets and hypermarkets into the food retail. They have become the most popular shopping places sought after by consumers in all countries, and this trend is evident even nowadays.
- Internalization chains have unequally established themselves in the V4 markets, and it is possible to define two or three categories of retail markets: i) all-embracing internationalised retail markets (Poland and Hungary), ii) an intermediate stage represented by the Czech Republic, and iii) only partly internationalised retail markets (Slovakia). The first group of countries includes almost all retail companies established in western markets. Though, the Czech Republic (the capital of Prague, in particular) is often a buffer zone of post-socialist Europe where new trendy brands enter the market; however, some significant retail chains avoid it. The third group of countries is all about some selected supranational retail companies, mainly due to the market size (for example, Spar and Penny Market have never entered the Slovak market). As for the first group, we may also speak about an effect of a higher “openness” of the economy towards the Western countries occurred in the late 1980s, and uncritical free entrance of foreign capital at the beginning of the 1990s (Hungary, in particular).

- The retail market within the V4 does not always satisfy the expectations of international retail chains. Some companies withdrew from the V4 markets in some countries after a short period (Spar, Carrefour, Delhaize Le Lion, Julius Meinl from the Czech Republic, Tesco from Poland, Carrefour, Marks & Spencer, Gigasport, Baumax from Slovakia, and others).
- In the V4 countries retail, the process of internationalisation was performed not only via retail companies from outside the V4 (external internationalisation), but also via retail companies originating from the V4 countries (internal internationalisation). An example of which is Teta drugstore, Alza, Datart, Sportisimo, Tescoma, Orion (Czech capital), Dedoles, Dráčik Toys (Slovak capital), CCC Group, Pepco, Reserved (Polish capital) or CBA (Hungarian capital).

The globalisation of retail in post-socialist countries is also linked to the process of retail concentration. It was particularly evident in cities, mainly in the construction of new retail formats, such as shopping centers. Shopping centers became trend-setters in retail for more than two decades. Companies within the V4 countries have become consumer companies, and shopping in shopping centers was complemented by another trend in the form of spending leisure time in them. By assessing the development of shopping centers in the V4 countries, it may be concluded as follows:

- The construction of shopping centers did not start in all countries simultaneously. A trend of delays is visible in the V4 countries in the west-east direction, from the more populated to less populated countries. It is necessary to point out that it is just the time delay (3–5 years); however, the globalisation trend of the shopping centers construction manifested itself in each country almost in the same intensity. Thus, it is not a question of choice, it is rather a question of time – “when”.
- Initially, large shopping centers (more than 80,000 m² GLA) were opened mainly in capital cities or in regional centers. Later on, their size was reduced, and small shopping centers (5,000–10,000 m² GLA) started to appear in all the V4 countries.
- In the beginning, shopping centers in the V4 countries were typically constructed in green fields. Due to their size, they were built mainly in the outskirts of populated cities, which resulted in a transition of consumer flows from city centers to their outskirts. Only later we can observe an interest in the construction of shopping centers in brownfields, or previously used areas, often in the inner cities and historical cores.

European retail turnover was in the amount of almost EUR 3.3 billion in 2017. Central and Eastern European countries accounted for around 18% of continental turnover, whereas their share is growing in the long term. As for the absolute capacity, dominant players are Russia, Poland and Turkey, which is statistically regarded as a part of the European space (Geomarketing, GfK 2018). Unlike Eastern Europe, Western European retail was struggling with a year-on-year decrease of up to 40% in the period of the last global economic crisis starting around 2008. Despite a number of marketing activities in the form of smart technology development, new networks, formats, concepts and leading brands focusing on ever-demanding consumer preferences (Priporas et al. 2017; Kalinic et al. 2019),

membership in shopping alliances, personalization of advertisement (Ailawadi and Farris 2017; EMD 2017) or digital communication with customer (Huang et al. 2019; Schreiner et al. 2019), the western markets have not been able to cope with the decrease of retail areas, profits, price pressure, and so forth, in the last years (Geomarketing, GfK 2018).

More favorable development of retail in Central and Eastern Europe is attributed to later retail development, rapid internationalisation and acceptance of western standards, lenient legislature, large consumer demand, and to a certain extent, still an unsaturated market.

Simultaneously, the purchasing power of inhabitants in the Central and Eastern European countries is growing, and demand for large-scale concepts such as hypermarkets and shopping centers. However, in the future, we may expect that the markets, in particular those in Central Europe, will reach the saturation level, and they will decrease their year-on-year growth (Cushman and Wakefield 2018).

Regarding the Central European region, Poland appears to be the most attractive market for Western European retailers, due to its size. However, the Czech Republic does not lag behind in many aspects; its strong position was also proved by the entrance of 31 new international brands (38%) into the Central European region (82 in total; Poland 22, Hungary 17, Slovakia 12) in 2017, whereas its share was even higher a year before. Thus, the Czech Republic proved to be the entrance gate to Central and Eastern Europe for international retailers. On the other hand, developers and managers are still challenged by the fact that the sale area in the retail recalculated to the number of inhabitants in the V4 countries is still far away from Western Europe, Tab. 6.1 (GfK 2022).

Tab. 6.1: Retail space per capita in selected European Countries in 2018 (m²)

<i>Czech Republic</i>	<i>1.05</i>	<i>Belgium</i>	<i>1.66</i>
<i>Hungary</i>	<i>1.03</i>	<i>Austria</i>	<i>1.62</i>
<i>Slovakia</i>	<i>1.02</i>	<i>Netherland</i>	<i>1.60</i>
<i>Poland</i>	<i>0.98</i>	<i>Germany</i>	<i>1.45</i>

Source GfK (2022)

Retail transformation comes along with the change of consumers' shopping habits. Globalisation of the last two or three decades allowed commoditizing the products and their mass consumption. Together with the consumer way of life, globalisation affected the development of society and its consumer patterns (Coe and Hess 2005; Križan 2009; Wrigley et al. 2005). This situation was characterised by the use of standardized, ever cheaper and more common technological innovations that allowed suppliers to influence and change consumer preferences of various population segments or the whole society (Fuentes and Svindgstedt 2017).

However, the global financial crisis in 2008 served as a strong reminder of the risk of too rapid growth. Consumers started to review their spending habits even more intensively and move from evident materialism to simplicity, authenticity and individuality (Dunne et al. 2011, Spilková 2018). Thus, current trends in food&drink consumption perfectly reflect new

paradigm, the so-called “Shift of Back to Basics for Status” (Angus and Westbrook 2019). Demand for local products, preference of the regional products and producers, and the need for authenticity made the hyperlocal and farm products and other commodities even more popular (Duram and Oberholtzer 2010; Spilková and Perlín 2013; Yu et al. 2017).

Social relevance and economic sustainability are some of the fundamental current global approaches that resonate across developed as well as developing economies. Sustainability is also linked with significant trends that, in the coming years, will have a direct impact both on retail and shopping centers. We often speak about hybrid concepts when shopping chains change the concepts of their stores through investments into the so-called functional uses of services enabling consumers to make convenient and quick shopping (omnichannel). Stores provide so-called in-store staging, such as production and testing/tasting the products right in the store and tailor-made offers for customers (Angus and Westbrook 2019, 2020; RICS 2018; World Retail Congress 2018).

Changes in the lifestyle of consumers are reflected, in particular, in the broader offer of organic and local products; labeling products as Free from a Vegetarian has other names, such as Better-for-you, Clean Living, Never Any, Flexitarian and others. Despite the popularity of global brands, a growing number of customers seek regional products and are ready to support local producers – hyperlocal retail. Not only retail chains but also supranational companies more frequently cooperate with small producers to be able to offer a unique product and satisfy their customers. Another trend related to the responsiveness towards the customer is quick and comfortable shopping or independent delivery in the form of delivery of the ordered goods to the home in the absence of the customer. A shift from product-focused company strategy towards the strategy focused on customer and their specific needs is also represented by AI (artificial intelligence), which is able to evaluate data on customer behaviour, to model their consumer habits and preferences, and thus also adapt to their requirements (RICS 2018; World Retail Congress 2018; Angus and Westbrook 2019, 2020).

Although standard motivation and preferred forms of shopping such as price level, discount vouchers, loyalty cards, advertisement events, media or word-of-mouth reference are still predominating while purchasing food and standard daily used products (Spilková 2012a), new motivation elements have already been used within the context of new technologies introduction, and they will also be used in the future. One of the most important prerequisites for using the number of novelties in the market is its direct link to, nowadays commonly used, gadgets such as smartphones or tablets (Priporas et al. 2017; Szmigin and Piacentini 2018). The ever-growing influence of growing networks and their influencers, YouTubers, and so forth, cannot be overlooked, too. Shopping centers with their comprehensive portfolio with hypermarkets and supermarkets, niche stores, food courts, entertainment and leisure facilities will be the first buffer zone in using modern technologies in shopping. And not only for the current Y and Z generations (eventually Alfa) but across all population segments in the future.

Contemporary consumers are much better equipped for cooperation with other subjects than ever before. Especially thanks to modern versions of internet browsers and social

networks, they can cooperate better both in terms of quantity (faster, more frequently, in wider range) and quality (an involved, democratic, interlinked, personal way). What is emphasized is the online cooperation of consumers who can together create new ideas and products that better suit needs and demands than traditional market structures are able to identify. Potential can be seen in the participation of consumers and their active participation in the creation of an alternative economy that is not based on the principles of traditional capitalist values but the already mentioned involvement, community and shared values (Arnould and Thompson 2018).

According to Szmigin and Piacentini (2018), the trend of voluntary simplicity in the sense of reduced consumption supported by the ideas of owning and using fewer sources and towards intentional consumption linked with transparency and long-term sustainability is increasingly topical. Pantano (2010) emphasizes that another topical trend – usage of modern technologies – is a common part of the sectors such as medicine, industry, education, or entertainment. Retail, in particular, could benefit from this opportunity in the future, primarily through the use of virtual reality use, RFID technologies, biometric technologies and other innovations. Thus, in the future, it will be appropriate to focus on the customer for whom shopping can be an activity combining the pleasant with the useful. Not only can these technologies influence the consumer' decision-making process, but they will also enable the retailers to gain quantitative data, such as frequency and purchase price.

Digital technology, new business models and a demographic and cultural shift are disrupting the retail sector. On the one hand, as more purchases are made online, physical stores are at risk of having to close down. Over the past decade, digital technology, new business models and socio-cultural shifts have been disrupting the retail sector, making it routine for customers to choose when, how and where to buy a product. While ten years ago they needed to visit a store, search among available products, queue and pay, customers can now look for a pair of shoes on their mobile phone, skimming through a countless number of alternative models while commuting to work. Once they pick their favorite pair, they can pay directly via mobile phone and their new shoes will be delivered within a few days (Schmitz-Morkramer 2021).

In recent years rapid digitalisation has many implications for the retail industry and marketing and operations processes in particular (Blut et al. 2018; Jocevski et al. 2019). A great deal of evidence highlights that consumers use smartphones in many daily routines, which contributes to changes in their shopping behaviour and the shopping process in general (Grewal et al. 2017; Pantano and Priporas 2016). In fact, the integration of mobile and web-based online stores and physical store channels as a means for creating an omni-channel customer experience has been identified as a trend to address the changing role of retail organisations as agents that facilitate market infrastructure both physically and digitally (Verhoef et al. 2015). However, many organisations have struggled to implement omni-channel strategies that meet customer needs and operate efficiently (Hosseini et al. 2018). This has led to a situation where retailers are increasingly faced with the challenge of successfully transforming their business models (BMs); that is, their value architecture of omni-channel retailing – a challenge that presents a substantial investment risk from the outset (Massa et al. 2017).

Some research from the period just before the pandemic (Ernst and Young 2017; Retail Week 2018; Križan et al. 2018; Kunc et al. 2020) has shown that bricks-and-mortar stores are still largely competitive with the online environment and are not losing any significant popularity. On the other hand, the importance of online shopping grew for a long time. It had some objective advantages over brick-and-mortar stores, which have only been accelerating by the global pandemic (Acomware 2018; Sarkar and Das 2017). Current data points to a 58% year-on-year growth in the global e-commerce market in the first quarters of 2020 and 2021. The use of mobile technology is also on an upward trend, with the volume of orders placed via mobile devices more than doubling globally over the period (RetailNews 2021a).

Digitalisation has been identified as a driving force behind retail sector transformation. With respect to above mentioned, there is no denying the success of the Direct-to-consumer (DTC) market, thanks to modern technology and subscription services. Direct-to-consumer, or DTC marketing, is changing the way many brands do business. It puts brands in control of the entire customer experience starting with discovery through product delivery, but it doesn't come without its challenges. Transitioning, rather than starting a new DTC business, is one of those hurdles (Kim et al. 2021).

Current consumers more and more often search for authenticity, originality, difference, and experience that will enable them to express their own individuality. Based on this fact, we may observe a growing trend when the customers change their shopping habits and yearn for the before mentioned simplicity and authenticity instead of typically preferred materialism (Angus and Westbrook 2019). The management of shopping centers as well as entrepreneurs, in general, should be very cautious regarding this founding and, if possible, change their business plan to satisfy as much as possible new trends in shopping behaviour (Kunc et al. 2022).

The young generation, in particular, is the generation that uses modern technologies and will be the leading pioneer setting future trends in shopping. Generation Z members yearn for innovative technologies in shopping, they perceive a potential digital future in all directions, long for individual experience during shopping, are used to using their smartphones while making purchases and prefer making payments via mobile wallets. However, Generation Z is concerned that modern technologies will not be able to protect their privacy protection when making purchases, which would have a negative impact on interpersonal impact and the labor market (Priporas et al. 2017). On the other hand, we must not forget the "Baby Boomers" generation, the after-war generation of consumers whose number will be growing in the V4 countries given to the ageing population. The trends in their consumption are determined by comfort, security or the terms such as health or affordability (Solomon et al. 2016).

The COVID-19 virus hit Europe in January and February 2020, with the first cases confirmed in Spain, France and Italy. To fight the pandemic, EU Member States took a wide variety of measures. As of mid-March, EU Member States imposed temporary restrictions on non-essential travel from third countries into the EU (exceptions were foreseen for nationals of all EU Member States and Schengen Associated States). Most countries also imposed restrictions on movement between EU Member States.

Schools were closed in most Member States in the second week of March 2020. Public events were cancelled by almost all Member States and private gatherings (with numbers of persons varying from 2 to 50) were banned. In almost all countries, bars, restaurants and hotels were closed. In addition, most countries closed retail shops with the exception of supermarkets, pharmacies and banks. In Italy and Spain, non-essential production was stopped and several countries imposed regional or even national lockdown measures which further stifled the economic activities in many areas (Eurostat 2022).

The large majority of the prevention measures were taken during mid-March. Most of the prevention measures and restrictions were kept throughout the whole of April. In May, several of the measures were abandoned or at least reduced in scope and severity. Among other things, many shops could re-open in May and as a consequence retail trade activities picked up again after two months of unprecedented declines.

With increasing COVID-19 cases after the summer holidays, several countries re-introduced some containment measures in autumn 2020. At first these did not include the closing of retail shops but rather encompassed hygienic measures, social distancing, restrictions on public gatherings etc., and generally affected mainly service providers (e.g. restaurants). However, at the end of October or during November, several countries stepped up the measures which again resulted in the closing of so-called “non-essential” retail shops. In December, some measures were lifted due to the Christmas season. In January, however, the measures became again more drastic in many countries and numerous shops were closed once more (Eurostat 2022).

Since March 2021, many measures have gradually been lifted. In general, the strictness, lengths and nature of the COVID-19 measures in the EU is relatively heterogeneous. In early 2022, many measures were further reduced or even phased out. The COVID-19 measures strongly affected the retail trade volume in a number of countries and also impacted the European aggregates.

Retail trade in January 2022 increased by 0.6 % after a decrease of 2.6% in December 2021 and increases of 1.1% in November 2021 and 0.4 % in October 2021. In the euro-area, the monthly decrease in January 2022 compared with December 2021 was only 0.2%. The overall growth pattern in the euro area and the EU are, in general, relatively similar. Compared with January 2021, there was an increase in the retail trade volume of 8.3% in the EU and of 7.8% in the euro area. The total EU retail sales volume in January 2022 is 4.1% higher than in February 2020, the month preceding the COVID-19 crisis (Cushman and Wakefield 2022).

The COVID-19 crisis that started in the spring of 2020 had a strong and sudden impact on retail trade. In March and April 2020, the total retail trade volume dropped by 9.2% and 11.2% respectively. There were, however, considerable differences in food and non-food products. Food products and sales in supermarkets increased in March while the sale of non-food products already went down. In April, all product groups recorded strongly declining sales. In May and June, sales generally picked up again and the sales levels approached or even surpassed (non-food articles) the pre-crisis volumes. In the

following months, sales of food, drinks and tobacco remained relatively stable which also corresponds with the relatively stable sales in supermarkets (Eurostat 2022).

The sales of non-food products increased in autumn 2020 but then went down again during the winter, possibly as a result of more restrictive COVID-19 measures. The sales in department stores developed in a similar way but the ups and downs were even more pronounced.

As for the reflection and comparison with the last global financial and economic crisis, between January 2008 and January 2009, the total retail volume index for the EU dropped by 2.2 index points, compared with a drop of almost 22 points in March and April 2020. The strongest decline in 2008 was measured for automotive fuel (-4.4 points), the index for non-food products (except fuel) dropped by 2.9 points and the index for food, drinks, and tobacco by 1.7 points. Declines in spring 2020 were much steeper. In April 2020 compared with two months earlier, the index for automotive fuel decreased by 46 points, the index for other non-food products by 35 points. At the same time, the mail orders and internet volume increased by more than 30 index points (Eurostat 2022).

The COVID-19 pandemic initiated, or accelerated, many changes that will have impact on chain store retail and businesses' long-term strategies. The COVID-19 crisis probably easily eclipses the 2009 financial crisis. Representatives from all retail sectors agree that 2020 presented an immense challenge for the retail industry; however, not all sectors were affected equally. Daily consumer goods retailers faced the task of organising sufficient supplies while also complying with new hygiene regulations in light of increased demand, fashion retailers and other aperiodic retailers were confronted with months of lockdowns (GfK 2021).

Dealing with this possible extreme disruption requires accelerated adaptation to a different economy and alternative sustainable solutions, using social media and smart technologies, new forms of media consumption, real-time bidding, online retail, and e-commerce.

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7 DETAILS AND DIFFERENCES IN RETAIL TRANSFORMATION IN THE V4 COUNTRIES: CONCLUDING COMMENTS

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More than 30 years have passed since the transformation of economic conditions in the V4 countries. The Czech Republic, Slovakia, Hungary and Poland changed from centrally managed economies and related forms to the market economy, which consequently resulted in the transformation of all economic sectors, including retail. Even though the trend of retail globalisation was evident in each of these countries, their temporal and spatial specifics are pronounced. Several distinctive milestones can be identified in the development of these countries whose impact on the retail sector had the same effect; however, their temporal-spatial effect was different. Based on the analysis and the findings of this monography's authors, several conclusions can be drawn:

During the socialism, retail in all V4 countries was mostly centrally administrated and considerably insufficient. Its development after WWII was different from other European countries, and global processes occurred just to a limited extent or not at all. Retail was under the state monopoly, the private sector was almost extinct (for example, in the Czech Republic and Slovakia), and its hybrid form of state/entrepreneur (socialist-type) remained, to a limited extent, in other places (Hungary). In the spatial retail structure and in its quality and availability, an unwritten principle of spatial egalitarianism was in place. During this period, qualitative and quantitative changes in trade were noticeable; however, they lagged far behind the retail in West European countries in terms of the market economy.

After the transition to the market economy, the process of retail internationalisation relatively early on became apparent during the retail development in the V4 countries. During 30 years, there was the most significant process of retail transformation in the V4 countries. The retail sector went through a substantial transformation in its structure and function. Supranational companies came to the V4 market only in the second half of the 1990s. Reasons for this can be found in a certain political instability of new democratic systems and turbulent economic processes related to the privatisation of state assets. Internationalisation of retail has specific features in each V4 country. The size of the market is one of the key factors, which is why some companies (for example, Spar and Penny Market) do not operate at all in the least populated Slovakia where the number of international companies is not as large as in other countries. In general, the initial activity of the domestic capital was relatively soon subdued by the entry of supranational solid chains that began to dominate the markets of the V4 countries at the end of the 1990s. They have kept their position until now.

There were four basic phases of retail transformation in each country that became evident: i) dynamic development in supermarkets network; ii) dynamic development in discount stores network; iii) dynamic development in hypermarkets network;

iv) dynamic development in shopping centers network. The phases of transformation had in the V4 countries temporal and spatial specifics. They can be characterised as spatial diffusion. An example is opening new establishments with West-East gradient in the Czech Republic and Slovakia (wave diffusion). Another example of spatial diffusion recorded in Poland or the Czech Republic is hierarchical diffusion. Construction of large-area stores (such as hypermarkets) begins in the largest cities and progresses down the hierarchy to the settlement units. The third type of diffusion that appeared in all V4 countries in the same form was referred to as a contact diffusion in our study. This trend is visible in the case of discount chains when retail chains open dozens of stores at the same time.

One of the most significant transformation trends is the retail sector being concentrated to populated cities and economic centers in the V4 countries. The process of retail concentration relates to the process of retail internationalisation. Local retailers in the V4 countries were not often able to compete with the prices set by the supranational retail networks and their logistics and pricing. This is also why the V4 countries saw a decline in the number of retail outlets after their initial surge in the 1990s, but the sales area per inhabitant was growing. The process of retail concentration had an impact on the development of retail in rural areas. What is typical for the V4 countries is the cooperation of retail networks based on domestic capital, frequently on the regional level. The dominant position is held by the COOP Group, whose roots go back to the times of socialism, and due to the network of outlets it still dominates the rural areas.

Shopping centers have become an integral part of retail in the V4 countries. Their dynamic development became apparent with the arrival of the new millennium. Up to seven generations of shopping centers, that have been built since the late 1970s in a more politically and economically liberal Budapest, were identified in Hungary. In the other V4 countries, these were rather traditional department stores operated as early as in the interwar period or the stores built during the social era as the absolute peak of the retail environment of the time. However, Western-style shopping centers were established at the beginning of the economic transformation, from the early 1990s onwards – first in Poland and Hungary, later on in the Czech Republic. The first modern shopping center in Slovakia was opened as late as in 2000. In each V4 country, the shopping centers are concentrated primarily in the capital cities, whereas the initial trend was development mainly in the greenfield category and in the outskirts of the cities. While at the beginning of the retail transformation, the shopping centers were constructed mainly in the outskirts of the cities, later they were gradually established mainly in inner cities and the number of projects such as brownfields is increasing significantly. The trend is to reduce the size of the sales area in the shopping centers and their construction in smaller towns (this also applies to other retail concepts – retail parks). The development of shopping centers is characterised not only by foreign but also, to a lesser extent, domestic capital.

Systematic quantitative, qualitative and structural changes are constantly occurring in the V4 countries' retail sector despite the signs of retail consolidation. These changes are not uniform. An example is the withdrawal of Tesco from Poland; however, in the

other V4 countries, it has kept its position and belongs among the most successful retail companies. Moreover, it began to develop new formats (such as Tesco Express and Tesco home delivery). The competition in retail in the V4 countries is not growing, vice versa, the number of significant players is declining. There is an increase in the share of large companies in the sales areas and retail sales at the expense of smaller retail companies. A certain uniformity in retail in the V4 countries is evident in the continual growth of foreign capital share, which significantly dominates mainly in food retail.

A trend in the V4 countries is a global standardization of retail formats and shopping behaviour of consumers and their lifestyles. By comparing the development of retail trade in the V4 countries concerning its transformation, in terms of retail formats, consumers in all countries mostly prefer large-area retail outlets. Shopping centers obtained a significant position in retail; market saturation has not reached its peak yet. Consumers have quickly accustomed to adopting shopping patterns from Western countries. It seems that the established globalisation of retail in the V4 countries is not a matter of choice, but a fact. Shopping centers bring changes into the shopping behaviour patterns of the V4 countries' consumers. The youngest consumer generations were born in the time of supermarkets and shopping centers that are developing dynamically in all countries and have become fundamental places of consumption. However, we often see copying of Western-style and the adoption of consumption patterns from Western Europe and the USA, and shopping centers are becoming shopping-amusement centers. Not merely the youngest generations spend their leisure time in the shopping centers that have become cathedrals of consumption. We may observe the working society's gradual but definite transformation into a consumer society.

Besides the shared borders, the V4 countries also share the same history. It became apparent through the ties between inhabitants and the links to particular products. That is why cross-border shopping tourism is quite typical in the V4 region. Furthermore, it is not just about individual shopping abroad; there are also one-day trips for shopping abroad organised frequently. The most dominant is Poland that has become a popular "shopping destination" for many Czech and Slovak citizens arriving not only from the border regions. Slovak consumers do their shopping in a similar way in Hungary. Different pricing, tax rates and monetary policy are important factors for shopping abroad. It is also about the specificity of some national products (particularly certified products having protected geographical boundaries) whose historical ties have made them popular in other neighboring countries.

Finally, it is necessary to draw attention to external factors that impact the development of retail and shopping behaviour of the V4 countries' consumers. Over the past years, retail was significantly affected by the COVID-19 pandemics. Its impact is apparent in each of the studied countries; however, the intensity of its impact on retail development corresponds with political decisions made by the individual national governments. They adopted various measures in different time horizons, which will definitely affect the further development of retail. The countries differed in many aspects, such as introduction of lockdowns, adoption of pandemic measures, shopping restrictions, and various compensations for retailers allocated by governments during the pandemics.

These processes will also impact further development of retail in the V4 countries. They represent a new topic for future research not only for geographers but also for economists, sociologists and other experts.

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