

# Роздрібно-торгові представництва в Польщі в умовах економічних змін

Міхал Богуславські<sup>1</sup>, Артур Козловські<sup>2</sup>

<sup>1</sup>Факультет менеджменту, Варшавський університет,  
ПОЛЬЩА, Варшава, вул. Штурмова, 3,  
E-mail: <sup>1</sup>michalboguslawski@data.pl  
<sup>2</sup>kozlowski\_artur@poczta.onet.pl

Після занепаду комуністичного режиму Польща зазнала швидких та глибоких економічних змін. На грані цих змін роздрібно торгівля в Польщі була досить типовою для соціалістичної економіки, якою керували держава і кооперативи. Вона переживала процеси, відмінні від тих, що є у розвинутих ринкових економіках, де домінували великі торгові центри.

Лише за кілька років роздрібно торгівля в Польщі перетворилась на конкуренту галузь вільної ринкової економіки. Динаміка цих процесів була винятковою.

Перехід у галузі роздрібно торгівлі характеризувався двома стадіями. На першій стадії відбувся спонтанний вибух малої підприємницької діяльності. Друга стадія принесла організаційні зміни, збільшення іноземного капіталу, нові форми роздрібно торгівлі та краще обслуговування покупців. Внаслідок цих змін виник процес концентрації. Поруч з іноземними конкурентами з'явилися перші польські роздрібно торгові марки й фірми.

Друга стадія змін у роздрібно торгівлі часто поділяється на фази, перша з яких (поява супермаркетів) почалась, коли все ще відбувались зміни на першій стадії. Наступні дві фази принесли більш розвинені форми широкомасштабної роздрібно торгівлі, яка в більшості випадків розміщувалась за межами великих міст. Це негативне явище повернулось під час останньої фази другої стадії, відомої як третє покоління торгових центрів, що часто розташовувались в центрах міст.

Швидка поява іноземного капіталу на ринку, де домінував місцевий малий бізнес, спричинила соціальну напругу. Політики, під дією цих побоювань, приймали закони, які обмежували розвиток великомасштабних торгових об'єктів. Незважаючи на цей факт, Польща відновила ліберальний підхід до інвестицій у роздрібно торгівлю.

Польща може слугувати вдалим об'єктом вивчення, як приклад успіхів та невдач в процесі економічних змін на роздрібному ринку.

*Переклад виконано в Агенції перекладів PIO  
www.pereklad.lviv.ua*

# The retail branch in Poland under economic transition

Michal Boguslawski<sup>1</sup>, Artur Kozlowski<sup>2</sup>

Faculty of Management, Warsaw University,  
POLAND, Warsaw, Szturmowa street 3,  
E-mail: <sup>1</sup>michalboguslawski@data.pl,  
<sup>2</sup>kozlowski\_artur@poczta.onet.pl

*This paper describes the state of the retail branch in Poland under economic transition. We will show how differently it evolved in centrally planned and developed free market economies. We will describe the spontaneous dispersion and subsequent concentration of the market. Finally this paper will bring us to the state of the current retail market in Poland.*

**Keywords** – retail, transition, economic transformation, shopping centre, retail market dispersion, retail market concentration, real estate

## I. Introduction and definitions

As a business trade consists of a professional mediation in the exchange of goods. The impact of trade on the condition of urban economy has been significant in all historical periods as it is one of the foundations of market economy. Depending on the turnover level trade can be divided into wholesale and retail. The difference between wholesale and retail comes mainly from the buyers' distinct requirements as to the lot of goods, purchase location and type of customer service [1].

The first cities emerged as centres of exchange and production of goods. Contemporary post-industrial civilization is an urban civilization, dominated by cities. That is especially true in highly urbanised regions, such as most of Europe. Nowadays 74% of the EU population lives in towns of 5000 and more [2]. In the decades that came after WWII Central Eastern European countries have undergone exceptional urbanization joining the urban civilization. The transition from a centrally planned to a market economy, as well as the political transition from a formerly communist regime to a liberal democracy, has found the countries of this region in a period of relative demographic stability with the highest percentage of urban population in history. Poland's urban population in the years 1952-1989 has grown threefold reaching almost 62% of the total population (the highest percentage ever). A similar growth has been noted in Ukraine. The urban population of Hungary has grown from less than 30% to almost 60% and that of Czechoslovakia from less than 50% to around 75% [3].

As Poland's example shows, retail (under such socio-economic conditions) can play a significant role in stabilizing the employment rate under economic transition.

In this paper we will analyze the development and structure of retail. We will describe the state of this branch of Poland's economy prior to the economic transition and we will show how differently it evolved in developed economies. Then we will move through stage one of retail transition (from 1989 to mid 1990s) to stage two (the beginning of which happens around the year 1992 [4]). We will discuss a further subdivision of stage

two and finish with the description of the process of market concentration that has been brought by the evolution of the second stage of retail transformation.

According to the Polish Central Statistical Office classification retail enterprises are divided into 7 categories:

Hypermarket: sales area of over 2500m<sup>2</sup>; self-service, with a wide assortment of groceries and a variety of other products; in most cases accompanied by a car park.

Supermarket: sales area from 400 to 2499m<sup>2</sup>; self-service, with a wide assortment of groceries and a variety of basic necessities.

Department store (dom towarowy): sales area of 2000m<sup>2</sup> or more; various departments; wide range of universal non-grocery products, often also groceries, in many cases operating in the catering and service businesses.

Small department store (dom handlowy): sales area from 600 to 1999m<sup>2</sup>; similar range of assortment and sales organization as department stores.

General shop: sales area from 120 to 399m<sup>2</sup>; mostly everyday groceries and additionally other frequently bought products.

Specialist store: a wide range of specialist goods meeting specific needs, such as clothing, home furnishing, automotive, leisure and others; the assignment of such a store to the appropriate specialization is determined by the relative value dominance of certain type of goods in the store's sales.

Other shops: sales area up to 199m<sup>2</sup>; mostly everyday groceries as well as other frequently bought products.

This classification, although statistically very useful, does not meet precisely the contemporary classification used by developers, investors, market analysts and others. Also it does not include such businesses as open-air markets, that have been crucial to transition economies.

## II. Poland's retail prior to the transition in comparison with developed countries

Before the economical transition has begun, retail in Poland was highly unified and monopolized, just as in other socialist countries. The majority of retail belonged to three trade organizations of the so-called socialized sector (state and cooperative owned): Społem – grocery cooperative; Samopomoc Chłopska – farmers' cooperative; voivodship internal trade companies. On the margin of this market smaller state and cooperative owned retail enterprises operated. At the break of the transition the socialized sector held up to 80% of retail locations and 90% of the turnover [4].

Under the communist regime trade, as most other industries, was subject to central planning. Location of shops, stores and other retail identities was neither spontaneous nor accidental. The retail network was planned to cover the country according to the population distribution and urban concentrations. It was meant to supply the population with goods in an orderly and equally-accessible-for-all manner. The paradox of implementing such a policy was the simultaneous serious deficiency in some regions and unplanned abundance of certain goods in others. The even supply did not meet the uneven demand. A surprising effect of the above was the "hunt for unexpected goods" practiced by many Poles

during their travels throughout Poland. The "hunt" meant taking a quick look in every possible store in villages, small towns or other rarely visited neighbourhoods in hope of finding a product inaccessible in the place of one's residence. Even "hunting" during travels on short distances could bring the purchase of long-needed goods.

When governments in Central and Eastern Europe were preoccupied with the implementation of a centrally planned economy replacing the fragmented private retail with a centralised oligopoly of socialized enterprises most developed economies, first the United States, followed by Canada and Western Europe, have been undergoing the process of retail concentration forced by free market conditions.

Supermarkets, common after the 1930s by the year 1960 became the main source of supply of groceries and basic necessities for some 40% of Americans. This car-dependent society was ready for change. Although the first signs of modern retail have appeared in the nineteenth century in many developed countries, the process of concentration in retail has accelerated in America after World War II. The first fully enclosed and air-conditioned mall has been opened to the public in 1956 in Minneapolis (Southdale Mall). A significant change in a market dominated by open-air shopping centres dependant completely on the local weather. This concept, proposed by an American architect of Austrian origin Victor Gruen, revolutionized the retail branch of that era. In just a few years enclosed and air-conditioned malls have appeared in numerous American cities, and soon entered Canada (Wellington Square Mall, London, Ontario, Canada).

In years-to-come such shopping malls have become the dominant model of retail development in countries with a developed market economy. By the end of the 1980s the retail market has become heavily invested and the saturation with modern commercial surfaces in the western countries was relatively high.

## III. The transition

In the process of economical transformation retail in Poland has undergone dynamic changes. In the first stage an explosion of small enterprises occurred. Retail establishments appeared spontaneously in every available location. From the year 1989 till 1995 the number of retail facilities in Poland has grown in Poland by 180%! (Fig. 1)

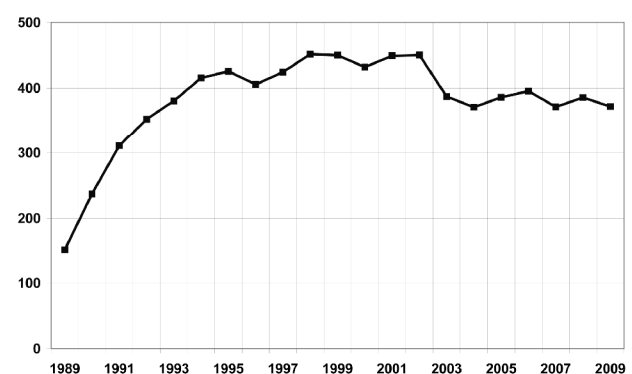


Fig. 1. Number of retail units (stores) in Poland between 1991 and 2009 [5]

Along with this rapid development of more or less organized retail, markets (mostly open-air) of all sorts became omnipresent. Spontaneous markets were often located in the centres of Poland's major cities, including one of the largest such facilities at the Parade Square in the very heart of Warsaw. Markets of the 1990s served a similar purpose to contemporary shopping malls providing a full offer in a relatively small area.

The old retail network's incompatibility with the population's needs combined with notorious supply shortages, the above-mentioned pathologies that resulted from central planning (such as "the hunt for goods") and low entry barriers resulted in dynamic changes in the retail market. Retail has become an efficient and easily available surrogate of full time employment. In the era of growing unemployment (a natural consequence of the shift from forced, centrally planned to freely regulated production [6]), to which the post communist society was completely unprepared, the possible escape of numerous unemployed into small retail became a powerful catalyst for change in this branch of the economy. Note that the number employed in retail has seen growth when the unemployment soared (Fig.2).

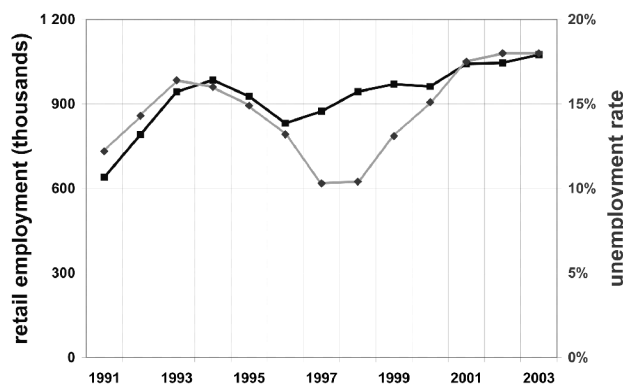


Fig. 2. Retail employment versus unemployment rate in Poland in the years 1991-2003 [5]

The rapid appearance and development of open-air markets was based not only on the factors mentioned above, but also on the relative weakness of the state. Markets and bazaars appeared in many cases on public soil with little regard to formal procedures. Stalls were placed on popular squares, along major roads, in parks and on empty plots in numerous cities and towns.

Organic and spontaneous growth of small retail has been halted by the surge of the second stage of economic transformation – expansion of foreign retail chains. The beginning of this stage coincides with the dynamic and spontaneous changes characteristic of the first stage. In the course of the economic and political transition retail has not been considered a "sensitive" branch of the economy, and in consequence had not been subject to protection nor control of the state administration.

The absence of legal protection, lack of experience on the side of the Polish state in regulating private business activities, together with the fragmented structure of private retail and organizational as well as management problems of the former monopoly (socialized trade) have created ideal conditions for the expansion of multinational

corporations [4]. Along with the growth of well-organized, financially strong foreign competition a strong improvement in law-enforcement and implementation of government as well as local authorities regulations occurred. The simultaneous development of both processes led to gradual removal of open-air markets from city and town centres.

Growing strength of foreign chains participating in the Polish retail market has brought significant qualitative changes. Existing large retail units from the pre-transition era, such as downtown department stores, were far from meeting the requirements of modern commerce. Increase in income and standards of living along with the increasing mobility of consumers have brought soaring expectations towards retail facilities. Foreign chains ready to invest in post communist markets were able to fill this gap.

#### IV. Subdivisions of the second stage of retail transformation

Opening of the Polish economy in the transition period has led to a clash of a local oligopoly completely unprepared for competition, firstly with the above-mentioned dynamic and spontaneous, self-organizing massive small-scale retail and secondly with the power of large multinational corporations, that benefited from market consolidation in developed economies. The second stage, marked by foreign investments, is actually a long and complex process that often is divided into further phases. The first of those phases took place in the first half of the 1990s. Under this phase relatively small supermarkets, carrying mostly groceries, would be located on the outskirts of major cities. The following phases are commonly referred to as subsequent generations of shopping centres.

The first generation appeared in mid 1990s. It comprised hypermarkets with small service gallery, mostly erected in locations distant from city centres due to the need for large parking areas as well as large superficies for a one-storey mall (e.g. M1 mall in Marki or Tesco Bemowo in Warsaw). By the end of the 1990s a new generation of shopping centres emerged. Second generation malls were a scheme driven by a gallery and hypermarket, such as Warsaw's Reduta or Carrefour Bemowo. Although often, as in the case of the first generation, those investments were placed in locations distant from city centres they were upgraded with special bus services or agreements with public transport authorities that would compensate for the communication hardships that non-motorized clients faced. The third generation of shopping centres that appeared at the beginning of the twenty first century offered a wide range of services and leisure activities. The complex would include cinema, restaurants, fitness and a variety of other services, often with a reduced grocery store (e.g. Złote Tarasy in Warsaw). Investors would place those shopping centres in central districts of the cities and central locations in populous neighbourhoods – that was a major qualitative change from the previous two generations.

#### V. Retail concentration

As Central Statistical Office figures show after over two decades of economic transition, in the year 2009 over

99% of all retail entities belonged to the private sector. Organizational changes initiated by foreign capital resulted in the intensification of the concentration process in Polish trade. This process can be observed both in the vertical (supplier-dealer) and horizontal (cooperation at the same level of distribution) levels [4].

The increasing scale of foreign investment in Polish retail has halted and partially reversed the explosion of countless small enterprises, so visible in the first stage of transformation. The overall number of retail entities has stabilized between 370 and 400 thousand, well below the 1998 maximum of 452 thousand (Fig.1). At the same time the fall of large entities owning over 50 retail locations has been reversed. The number of such enterprises dropped from 107 in 1991 to a record low of 23 in 1998. Over the next decade the number consistently rose surpassing the 1991 high in 2007 and reaching 131 by the year 2009. The number of shops with sale area exceeding 400m<sup>2</sup> has stayed on a stable level below 2000 till the year 1995 when a new dynamics entered this retail sector. In just 15 years the number of such entities has grown 5-fold (Fig.3).

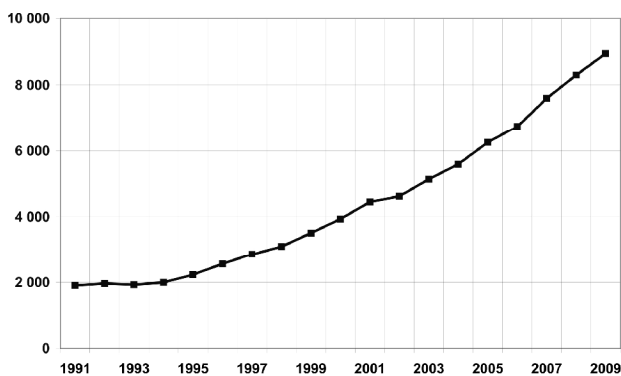


Fig. 3. Number of retail units with a sales area of over 400m<sup>2</sup> [5]

Forced by competition many small entrepreneurs entered the process of market concentration by joining larger networks through such actions as selling out or franchise. At the same time first local Polish retail brands emerged (eg Alma, Piotr i Paweł, Smyk, Empik, Reserved) successfully competing with foreign firms. Intensive foreign investments in shopping malls have been also accompanied by the growth of local developers, such as Echo Investment, Rank Progress, Czerwona Torebka.

## VI. Social consequences

The scale of investments and the pace at which foreign investors appeared in Polish retail terrified local small business. In consequence at the turn of the century social protests appeared.

Traditional aversion of right-wing politicians towards economic activities on Sunday (considered incompatible with Catholic morality) in combination with leftist efforts to reduce the labour burden and nationalist slogans defending “national small business” from foreign “unequal” competition has led to a series of restrictive legislative initiatives. The most rigorous of which has materialized in the form of the so-called WOH-act (WOH being the Polish abbreviation for large-superficies retail facilities). This act has radically restricted the possibility of building new retail facilities with

sales area of 400m<sup>2</sup> or more and made almost impossible any investment with more than 2000m<sup>2</sup> of sales area. The act lasted less than a year being passed in May 2007, coming into force in September and being ruled unconstitutional by the Constitutional Court in July 2008. Among acts that remained in force the most significant is the opening restrictions for retail on major state holidays.

Despite the above-mentioned political restrictions Polish law has retained much of its previous liberal approach and Poland is still viewed as an investor-friendly retail market.

## VII. Conclusion

During the twenty-years-long transition that lead from a centrally planned to a modern liberal market economy Polish retail was modernized and has caught up with retail in highly developed economies.

The initial explosion of small retail and open-air markets acted as a substitute for shopping malls, already common at the time in Western European countries, as well as a surrogate of full time employment lost by many in the course of the economic transition. In consequence a rapid change occurred: from an oligopoly of state and cooperative-owned companies into a fully competitive private sector.

The expansion of international chains has brought better quality of customer service and has reversed the former tendency of market dispersion.

Transformation in the retail branch in Poland can become a source of valuable information concerning the benefits and risks related to such changes. Observations relating to the fact that small-scale spontaneous retail may help temper the unemployment growth, especially among workers with qualifications incompatible with current market expectations as well as side effects of retail transformation, such as deterioration of city centres after the early stages of foreign capital expansion on the local market, are worth additional attention. These side effects may persist even when the initial impulses perish (investing mostly in locations remote from downtown areas), that is why prevention is highly recommended. Last, but not least, a study of social tensions resulting from the clash of unprepared local small business with large scale international corporations may occur advantageous, especially when preventive measures are considered.

The Polish example also shows that the society prefers gradual change to shock treatments. This fact is often underestimated causing unnecessary social perturbations.

## References

- [1] Kucharska B., Twardzik M., Concentration and integration in trade – theoretical aspect (Koncentracja i integracja w handlu – aspekt teoretyczny), Dąbrowa Górnicza 2007, Wydawnictwo Wyższej Szkoły Biznesu
- [2] Eurostat on-line information [epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Urban\\_rankings](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Urban_rankings)
- [3] Own compilation of UN Demographic Yearbook data
- [4] Aleksandra Grzesiuk, Retail as an Employee in modern Economy (Handel detaliczny jako pracodawca we współczesnej gospodarce), Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu, Poznań 2010
- [5] Own compilation of Polish Central Statistical Office data
- [6] Daniel R. Kazmer, Michele Konrad, Economic Lessons from the Transition, M.E. Sharpe Inc., 2004