

Retail transformation in the Eastern European countries



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People in post-communist Europe have seen their lives changing significantly since 1989-1991. **Political change, economic change, ideological change, territorial change** (for some), there were so many changes developing simultaneously. **The average person not only began buying new items, s/he also began buying in new retail outlets.**

Source: Simeon Mitropolitski, 2006, IRED.com

“It looks like post-communist Europe is catching up fast with most developed countries in terms of buying habits. In reality it has still to go an extra mile to recreate the Western way of life that is much more than a sum of some physical structures and a choice of several types of detergent.”

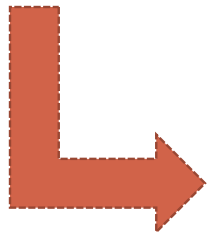
- What is the meaning of “catching up fast”?***
- How can they recreate the Western way of life?***
- How are our buying habits?***

PRELIMINARY QUESTIONS

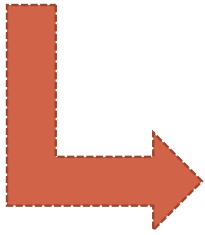
- 1. What is retail transformation? What is it based on? Which elements are needed? Which of these elements were the most important ones in the Eastern European countries?**
- 2. Why is the retail revolution in Eastern Europe so important for “Western European people”?**
- 3. As future geographers, do you think that this transformation had any territorial consequence in these countries?**

Which place did retail activities have during the Comunism?

All sectors of the economy were ranked and evaluated on a scale reflecting their social “desirability” and political “correctness” (principles of Marxist-Leninist society). The highest priority in a Soviet-style society were **heavy industries and mining**, the key sectors which “produced” most of the working class and the proletarian vanguard of the new society (*Michalak, 2001*)



What about retailing?



What about retailing?

Everything from store location, distribution, staffing, and all the way down to pricing was under control of the central planning authorities in Warsaw (Referring to Poland; Michalak, 2001)

The huge housing estates consisting of nearly identical “blocs” comprising the suburbs of Warsaw, Prague or Budapest have almost no other shops than shopping centres located near major intersections
(Chudzyska 1981)

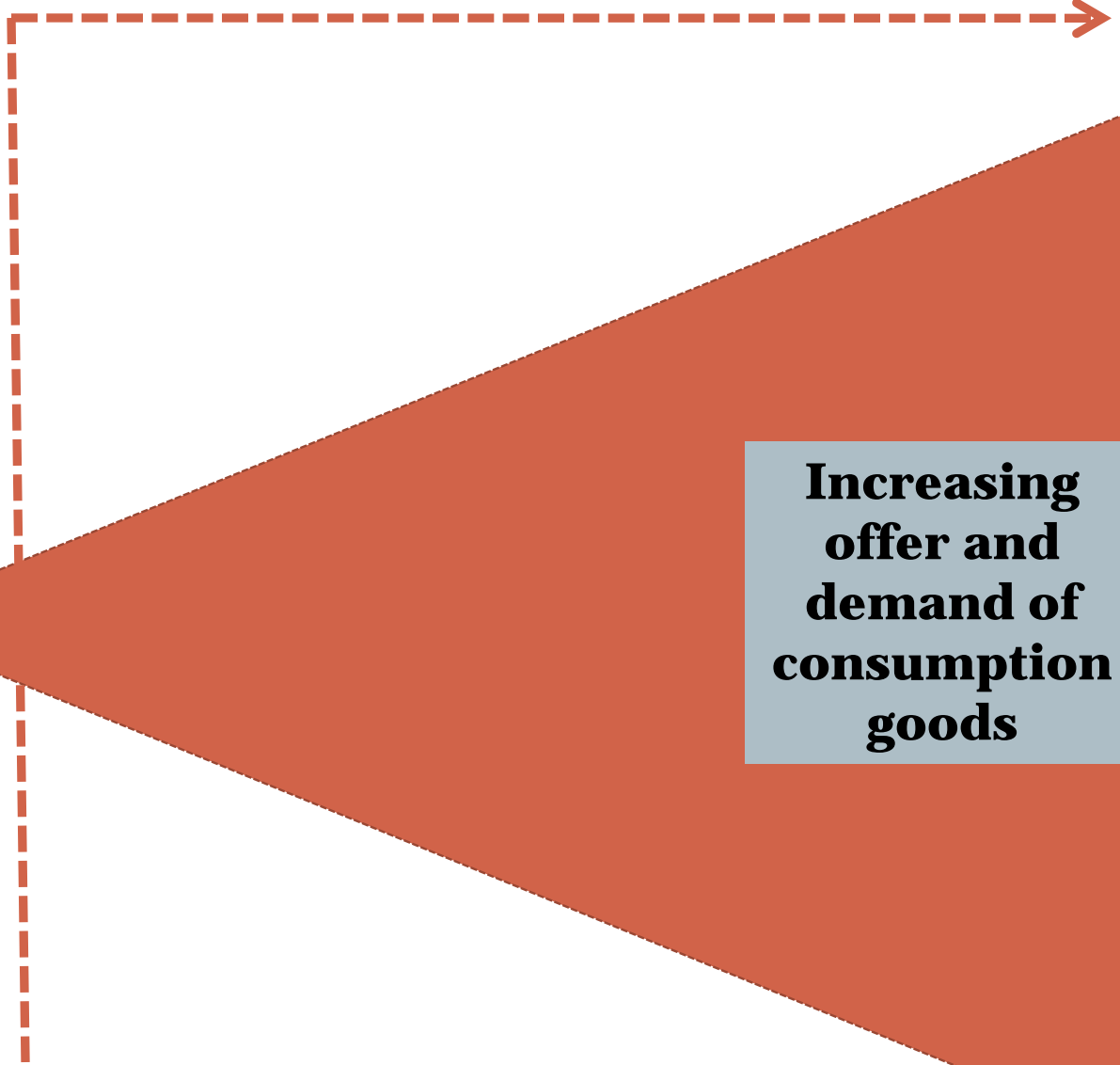
What about retailing?

- Retailing found itself at the bottom of investment priorities
- All enterprises were nationalised and other resources and capital were distributed to other sectors.
- Words like “merchant” or “retailer” became derogatory terms often used to describe the “enemies of the people” or “social parasites”. (*Michalak, 2001*)
- Many smaller cities had only a few very basic shops.
- During the 1970s, Poland and Hungary experimented with a number of free market reforms, as the improvement in the quality and range of merchandise as well as the addition of some basic shops in the centres of the largest housing estates.

Low offer and demand of consumption goods

Increasing offer and demand of consumption goods

**Fall of the Communism
(along the 90s)**



“During the communist era, in the shelves of any grocery store there was just mustard, cooking fat and vinegar”



“Some staples came some times... so, we had to cue up just in case the shop would receive meat, fish or dairy products”

Interviews with Polish consumers made by Ana Espinosa Seguí

**What happened
after the arrival of
the capitalism?**

What happened after the arrival of the capitalism?

- What happened in the retail structure of these countries?**
- Who became the new participants in the market?**
- Why?**



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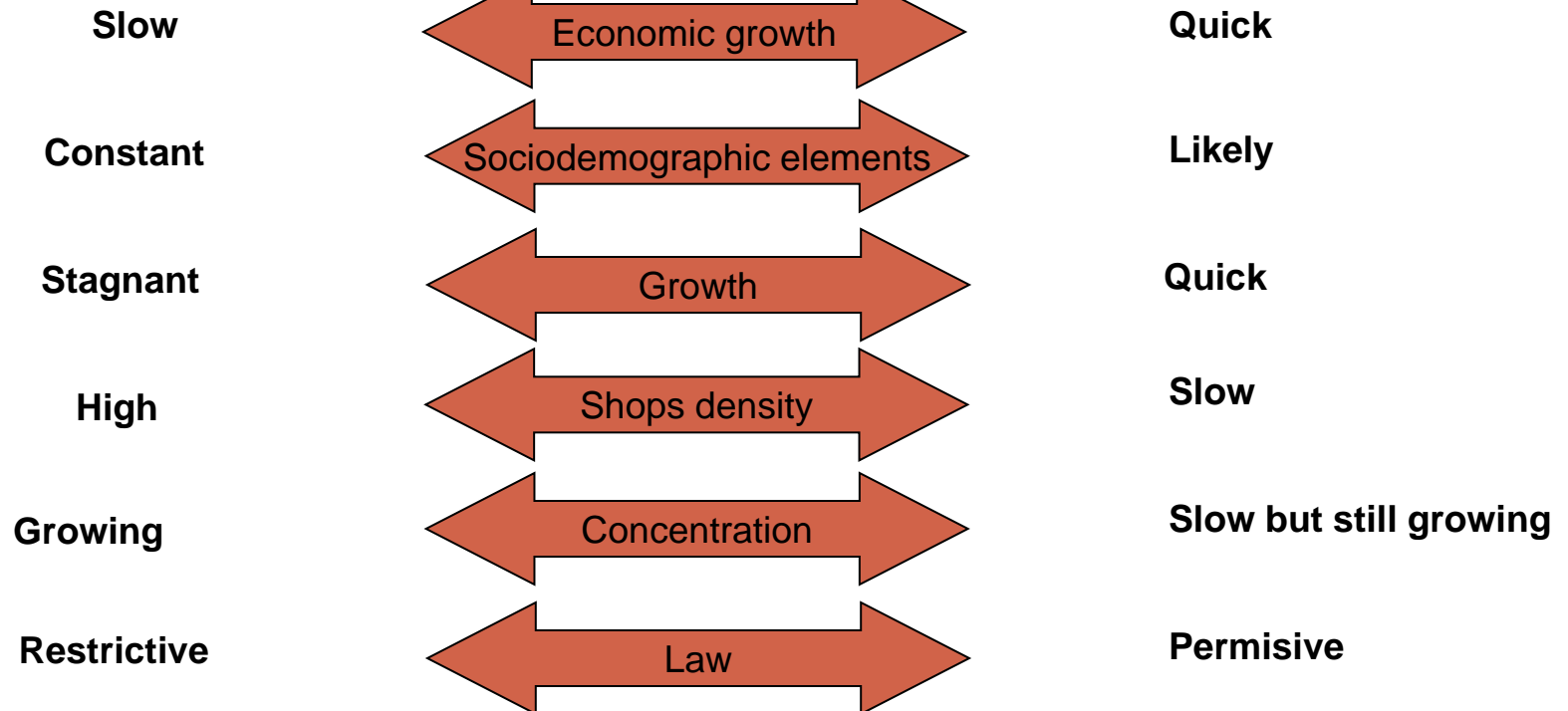
TESCO
Every little helps



Why the internationalisation?

**North America and
Western European
countries**









Eastern Europe



#2 Tesco & Retail market in Poland in 2005

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METRO IS BY FAR THE MAJOR RETAILER IN POLAND...

		Total sales revenue (EUR million*)		Annual change	Formats available**
		2004	2003	percent	
	Metro	2737	2625	4,3	HY, C&C, DIY, EL
	Jerónimo Martins	1044	962	8,5	DI
	Tesco	1019	959	6,2	HY, SU
	Auchan	947	886	6,8	HY, SU
	Carrefour	839	818	2,5	HY, SU
	Casino / Geant	812	750	8,3	HY, DI
	REWE	608	572	6,4	SU, C&C
	Ahold	563	560	0,5	HY, SU

* At exchange rate EUR/PLN = 4,53

** Formats description: HY- Hypermarkets, C&C- Cash&Carry, SU- Supermarket, DI - Discount, DIY - Do it yourself, EL - Electronics

Source: Handel, retailers

Intellic Research

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full

The retail transformation:

- Retail property
- Store surface
- Store location
- Two circuits

The retail transformation:

-Retail property before:

“In Poland, at the end of the 1980s, around 80 % of all retail stores in Poland were either co-operatives or state-owned. The remaining 20 % were privately owned stores. This relatively high percentage is misleading because most private stores were very small -- in many cases less than 50 m² in size” (Michalak, 2001).

Retail property now: private property enlarged significantly until dominating the retail market from national and mostly, international investors.

The retail transformation:

-Retail surface before:

In the communism period, shops were small and medium sized, since the assortment was very limited

Retail surface now:

The opening of the market allowed the entrance of new producers, from a local, national and international scale who enlarged the consumption goods market. When Western European distribution companies came to Eastern Europe, the retail surface rocketed because of the entrance of new formats, as big supermarkets, category killers and hypermarkets.

The retail transformation:

- **Store location before:** About half of all retail outlets and nearly 100 % of higher order retailing was located in the centres of large cities. These city centres were very well connected with the outskirts through public transport.

- **Store location now:** big category killers, hypermarkets and retail parks are being located in the suburban areas, with good connections to other cities but also well linked by public transport!!!! **WHY?**

The retail transformation:

- **Two or one circuit of consumption?:** Privileged people with access to valuable currencies (DM or dollars) were able to buy imported and very scarce products, whereas standard people had problems in finding basic food and other more specialised products.

- **Two or one circuit of consumption?:** Global brands have reached the Polish market, but most of them have not reached the Polish people budgets yet. Shopping centres with global brands are usually waiting for more clients. Goods produced in these countries are very expensive and often unreachable for the bulk of consumers.



Shopping centre Arkady, Wrocław (Poland). Photo made by Ana Espinosa Seguí

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