

Professor Bogna Pilarczyk, PhD.  
Magdalena Stefańska, PhD.

Department of Marketing Strategy  
Faculty of Management  
Poznan University of Economics  
Al. Niepodległości 10  
60-697 Poznań, Poland  
Tel. +48 61 8543771  
e-mail:  
b.pilarczyk@ue.poznan.pl  
m.stefanska@ue.poznan.pl

# **Retail marketing strategies - evolution and the future of retail companies in Poland**

## **Abstract**

The Polish retailing has changed during last 20 years. Foreign investments influenced that process. We could observe both qualitative and quantitative changes in the period 1990-2008. Expansion of large international retailers at that time forced Polish companies to reorganise and modify own marketing strategies. We can find examples of strategies of expansion, selective growth, connected with private labels and high quality assortment. Some of them are directly connected with the format of retailer stores. We wanted to identify, by analyzing facts from last few years trends in which retailing will develop in Poland.<sup>1</sup>

**Keywords:** transformation of the Polish trade, foreign investments in retailing in Poland, marketing strategies in retailing,

## **Introduction**

Retailing in Poland is among the fastest growing economic sectors. As a special type of business activity, characterised by significant flexibility, this branch of the national economy has demonstrated substantial capacity in terms of adapting to the changing environment. The aim of this article is to diagnose and evaluate the transformations which have occurred in Polish retailing over the past 20 years. The article takes account both of quantitative, as well as qualitative changes, stressing the role played by foreign enterprises or mixed-capital companies in these processes. The authors pinpoint selected operating strategies used by Polish and international retailers.

## **The causes and consequences of the transformations in commerce in the 1990s and the first decade of the 21st century – historical background**

Since 1990 material transformations in Polish retailing have been observed. These changes are attributable to political and economic phenomena, which have enabled Poles to

---

<sup>1</sup> The scientific article uses the findings of research conducted as part of a research project financed in 2008-2010 by the Ministry of Science and Higher Education entitled „Uwarunkowania i strategie pozycjonowania jako źródło zdobywania przewagi konkurencyjnej w handlu detalicznym” (*Positioning Factors and Strategies as a Source of Competitive Advantage in Retailing*), No. 3267/B/H03/2008/34

operate in a free market economy. The retailing sector was the first to seize the resulting opportunities.

The transformation process in Polish retailing may be divided into distinct stages:

1990-1992 – changes in the organisational and ownership structure,

1993-1995 – a slowdown in the privatisation processes, weaker increase in the number of commercial enterprises and growing involvement of foreign retailers

1996-1999 – the development of large format retailing and shopping centres, the emergence of vertical and horizontal integration processes, including the establishment of purchasing groups and retail chains operating pursuant to franchising agreements,

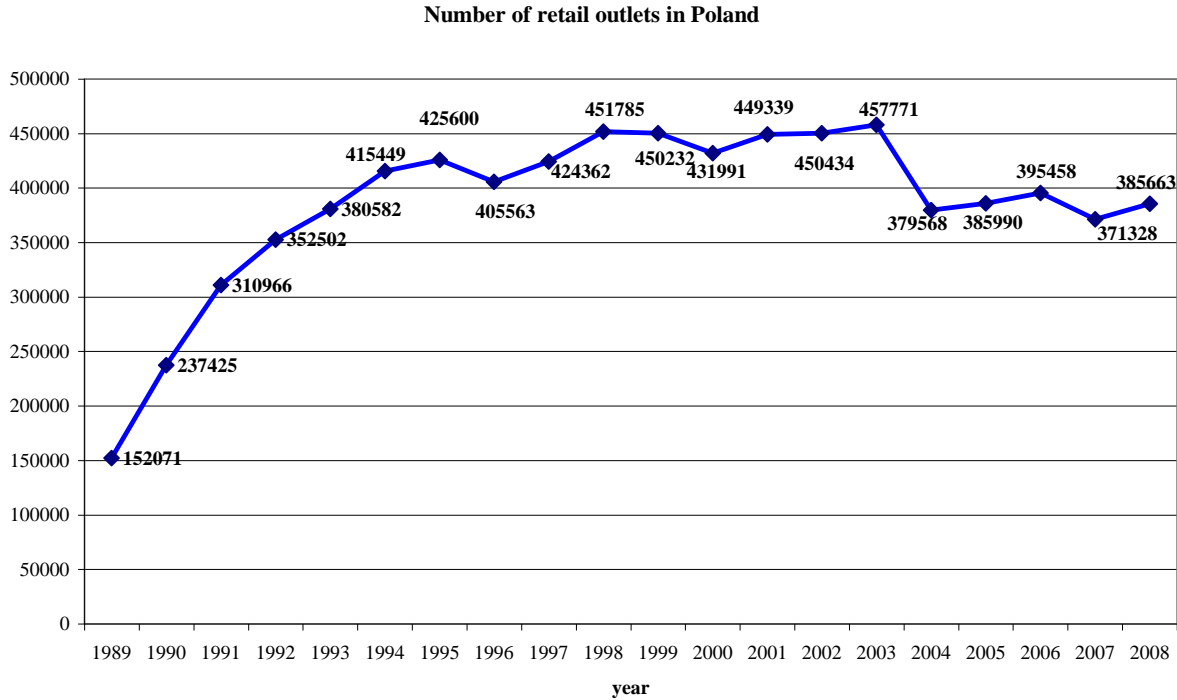
2000 until today – intensification of consolidation and integration processes and mutual acquisitions among retailers. We can observe growing number of merges and acquisitions, but according to forecasts the level of concentration in trade will achieve no more than 40%, because of the structure of the industry and consumers shopping customs (Sławińska, 2006).

In order to explain the reasons for such developments, an overview of retailing prior to the transformation is required (Pilarczyk, Biedermann, 1997). Until 1989 commerce in Poland was represented by entities belonging to the co-operative trade sector. Private ownership existed only to a minimum extent and only in selected sectors, while stores offering imported goods were also marginalised in the retail structure. Retailing activity was organised within the framework of entities operating nationwide, at the provincial and finally, at the administrative district level. The commodity supply gap on the market resulted in many stores not having any goods available for sale, while still remaining open and ready to provide service. At the same time, inefficient market mechanisms had led to a situation in which domestic output was not capable of satisfying the existing demand. The chain structure of state-owned enterprises varied widely. One entity comprised outlets with an area over 1000 sq.m., as well as small points of sale with a sales area of barely 40 sq.m. Therefore there were no uniform guidelines regarding the product range, the prices were not set on market terms and did not take into account the actual costs, while promotional activities were non-existent. These outlets also varied in terms of their location, some being more attractive than others.

Together with the passing of the Act on Freedom of Economic Activity at the end of 1989 and the decision to open Poland's borders to commodity exchange, the face of retailing began to change. Bankrupt manufacturing plants and ineffective retail chains revealed the so far hidden unemployment. Many Poles saw this as an opportunity to set up their own business and became self-employed. They focused on the trading sector, chiefly due to the possibility

to import goods and organise the sales process without the need to own brick-and-mortar stores. As a result of trade privatisation and restructuring the number of stores in Poland doubled over two years, from 1989 to 1991, and continued to rise almost until the end of the 20th century. From 1999 to 2003 the number of outlets levelled off at nearly 450 thousand and began to decline since 2004 (see Chart 1.). In the first period of transformation these outlets were strongly dominated by entities established by natural persons, finally their share over the period in question settled at 95-98.5%. The first stage of privatisation led not only to the fragmentation of the retail sector and the dominance of small independent private merchants, who operated on the market with just one store, market stall or a small wholesale depot, but also at that time foreign entities were rather hesitant to invest in Poland. In the years 2000 - 2002, a growth in the number of outlets in the microenterprise and small family-owned chains segment was observed. But the strongest change in the number of stores was registered in 2004 – the year, when Poland joined EU. Then, according to data, number of stores rapidly decreased. Partly it’s also connected with the modification of the statistical system of data collection. Since 2004 the changes are smaller, so we may assume the situation started to stabilize. It’s hard to predict if global recession will be the factor which influences on the structure of the retail sector in the future.

**Chart 1.**



Source: Rynek Wewnętrzny w 1990...2008 *Internal Market in (1990 ...2008)*, GUS, Warszawa (1990, ...2008)

Among the domestic factors that played a part in the creation of such a large number of commercial enterprises the following are the most important:

- obsolete material and technical resources of the existing state-owned stores,
- outdated forms and methods of serving consumers,
- lack of effective wholesale structures,
- low barriers of entry into the sector,
- supply gap which could not be filled by domestic manufacturers, while the market was characterised by enormous absorption capacity,
- opening of borders to imported goods (Poles initiated the so-called “trade tourism”, i.e. trade travel organised in the guise of tourist trips, with the main destinations being Turkey, Austria and Germany),
- launch of the privatisation process (state-owned enterprises were transformed into privately-owned ones, and, if purchased by a foreign investor – gained access to state-of-the-art technologies and management methods. At the same time, manufacturing enterprises were forced to cut their costs, which resulted in downsizing and the pressure to find investors),
- development of entrepreneurial spirit among the Poles.

The above phenomena were accompanied by external trends observed in other European countries. As a result of the trade consolidation processes taking place in the second half of the 20th century, the retail structure in the European Union countries became well-defined and led to the emergence of the largest enterprises operating internationally, using mainly cash and carry, hypermarket and supermarket formats. Consequently, the opportunities for further development of these companies on their existing markets were limited in two ways – through acts of law preventing the establishment of new large format facilities or the saturation of the market in terms of sales and service infrastructure, leading to the cannibalization effect when new sales outlets were launched in a given area. Therefore the only chance for further growth was to take over the existing retail chains or to expand operations to new markets, including Central and Eastern Europe. For such entities Poland offered tremendous development opportunities, since at that time Poland was characterised by such factors as geographical proximity, high demand, lack of organised competition, a significant supply gap, legal possibilities to invest in a country which until recently had been economically inaccessible and tax incentives related to such investments. At the same time Poland was perceived as a politically unstable area, thus less attractive to potential investors

than the Czech Republic or Hungary. The analysis of the situation in Poland revealed not only the weakness of the Polish retail sector, but also the necessity to establish the entire supply and distribution system virtually from scratch. The construction of a supermarket or a hypermarket was not as difficult as ensuring a steady source of supply. Should the retail operations expand and include new subsidiaries, the problem would be exacerbated. Hence the interest shown by foreign companies in investing in wholesale outlets and wholesale cash and carry depots. This strategy was correct in so far as it ensured the supply to small independently owned wholesalers and retailers, as well as enabled distribution based on own imports or goods purchased directly from domestic manufacturers. Owing to such market reconnaissance companies were ready to establish further network structures, i.e. chains supplying goods to end consumers.

Foreign enterprises applied various strategies to enter the Polish market. The lack of facilities fulfilling adequate standards had forced the investors to build new warehouses and stores. Decisions to purchase an existing commercial enterprise were rare. This was due to the fact that the structure of such enterprises usually comprised a number of varied outlets and poor warehousing facilities, where it was impossible to introduce standardized solutions in terms of the marketing mix instruments. Investors were interested in buying standard large format facilities in the best locations, the remaining outlets did not meet their requirements. Moreover, companies with a foreign stake or mixed capital companies – the so-called joint ventures, were also established.

The trade investment processes in Poland intensified in the period 1993-1995, when the number of foreign-owned and mixed-capital companies rose from 1437 to 1956, and the number of retailing companies from 245 to 353 (Rynek Wewnętrzny, 1995). The main investors in the 1990s included enterprises from Germany and France, but also Norway, Denmark, the United Kingdom or Belgium (Pokorska, Maleszyk, 2002). Billa was the first one to launch operations on the Polish market in 1991, followed by the Norwegian Retail Group in 1992, the German companies Metro and Dohle in 1994 and, a year later, Tengelmann, Rewe, Ahold-Allkauf, as well as French retailers Leclerc and Casino. More French retail chains – Intermarche and Auchan - entered the market in 1996. It should be noted that in 1995 71% of companies with a foreign stake had as few as 1-2 outlets, with 23% operating from 3 to 10 points of sale. In 1996 the share of foreign capital companies among commercial partnerships stood at 15%, while in 2000 already at 19%, with a drop down to 17.2% in 2007. In 2006 there were 14.4 thousand enterprises with 100% foreign capital stake, in 2007 their number stood at 15.1 thousand. In the total number of registered commercial

enterprises the share of foreign capital entities amounted to 2% in 2007 (Rynek Wewnętrzny 2007)..

Foreign investments in the retail sector involved:

- the construction, adaptation and modernization of commercial buildings and facilities, i.e. retail chains,
- the purchase (leasing) of retail chain technical equipment,
- the purchase (leasing) of delivery vehicles,
- the creation of intangible assets related to the transfer of technology, know-how etc.,
- the growth of financial potential represented by joint-venture companies as a result of acquiring equity stakes in domestic enterprises, the purchase of stocks, shares and bonds at the Warsaw Stock Exchange (edited by Strużycki, 1996).

The investments in trade and repair in the years 1990-1991 accounted for barely 4% of the total investments. In the years 1992-2000 this share continued to grow steadily, reaching the level of around 10%, at which it has remained until today. This growth can be attributed mainly to the inflow of foreign capital. The share of domestic investments in trade and repair has stood at around 5.5% since 1992. Since the 1990s the share of foreign investments in trade and repair has exceeded the average for the whole economy. This indicates that foreign investors preferred investments in trade to investments in other sectors of the Polish economy.

A substantial increase in investment expenditure by foreign companies, especially since 1995, has led to a breakthrough in the retail structure, giving rise to consolidation processes. In particular, large format retail facilities were established, there was rapid development of subsidiary retail chains, as well as the emergence of shopping centres next to a supermarket or a hypermarket and modern facilities combining retailing, service and cultural functions. In the years 1990-2007 the value of foreign investments in the retail sector continued to rise nearly every year, especially in the last few years. The share of investments in that sector demonstrates substantial fluctuations from one year to another, where a material increase is followed by a drop in the share of retailing investments (see Table 1). The year 2003 serves as a particularly interesting example. With a level of foreign investment in Poland resembling that of 2002, its share in the trade and repair sector rose by 9 percentage points. One of the reasons may be Poland's accession to the European Union in May 2004. As a result Poland gained credibility and investors decided to intensify their operations in Poland to strengthen their position and outstrip prospective competitors. In 2006 the share of investments in the trade and repair sector reached 16% of the total foreign investments.

Table 1. Foreign investments in trade and repair in Poland

Years	Total foreign investments (in USD m)	Share of foreign investments in total investments	Foreign investments in trade and repair (in USD m)	Share of trade and repair in the total foreign investments	Share of foreign investments in trade and repair
1990	88	0.7%	5	5.4%	1.1%
1991	359	2.2%	24	6.7%	3.8%
1992	678	4.6%	124	18.3%	14.5%
1993	1 715	12.6%	169	9.8%	18.1%
1994	1 875	12.6%	161	8.6%	17.3%
1995	3 659	18.8%	512	14.0%	32.4%
1996	4 498	18.5%	612	13.6%	42.7%
1997	4 908	17.8%	433	8.8%	28.9%
1998	6 365	19.7%	782	12.3%	34.5%
1999	7 270	22.9%	834	11.5%	31.0%
2000	9 342	30.5%	749	8.0%	22.8%
2001	5 712	19.3%	824	14.4%	27.5%
2002	4 127	15.4%	758	18.4%	26.6%
2003	4 870	17.1%	1 328	27.3%	49.0%
2004	12 355	37.4%	1 482	12.0%	45.5%
2005	10 276	25.4%	2 562	24.9%	60.9%
2006	18 942	38.0%	3 040	16.0%	62.5%
2007	22 722	32.8%	3 040	13.4%	43.9%

Source: International Direct Investments Statistics, OECD ([www.oecd.pl](http://www.oecd.pl), 2009-07-30)

Taking into account the form of ownership, it should be noted that from 1995 to 2007 the number of stores owned by foreign enterprises increased ninefold, from 748 to 6755 (see Chart 2.). In relation to the total number of outlets the share of foreign-owned stores in the years 2000-2006 stood at 1%, reaching 2% in 2007. In the years 1996-2007 the share of sales area of foreign-owned stores in the total sales area went up from 1.51% in 1996 to 17.6% in 2007.

It can be noted, however, that the beginning of the new century brought about a significant quantitative increase.

In 1991 an average store had a sales area of around 40 sq.m., ten years later 62 sq.m., while in 2007 the average sales area amounted to 76 sq.m. If we were to exclude stores operated by foreign enterprises, the average area of a sales outlet in Poland in 2007 would stand at 62 sq.m. As far as the number of people per 1 store is concerned, in 2008 this ratio stood at 99, compared to 89 in the year 2000 (see Table 2.) and 161 ten years earlier. This ratio indicates substantial fragmentation of the Polish retail sector, which has slowed down over the past few years.



Chart 2.



Source: Handel Wewnętrzny w 1995...2008 (Internal market in 1995, ...2008), GUS, Warszawa (1995-2008)

Table 2. Average store area and average number of people per 1 store

	Average store area in sq. m.	Average number of people per 1 store
1989	no data available	250
1990	no data available	161
1991	no data available	123
1992	no data available	109
1993	46	101
1994	46	93
1995	47	91
1996	51	95
1997	53	91
1998	54	86
1999	55	86
2000	62	89
2001	69	86
2002	73	85
2003	74	85
2004	70	103
2005	73	99
2006	73	96
2007	76	103
2008	81	99

Data: Handel Wewnętrzny w 1990...2008 (Internal Market in 1990...2008), GUS, Warszawa 1990...2008

Foreign companies focused their operations on launching large format facilities. Starting from 1990 the number of hypermarket or supermarket facilities has increased several times (see Table 3.). At the same time the share of foreign-owned stores in the total number of retail outlets in Poland went up from 0.18% to 1.82%. These values seem rather low, however, if the share of the sales area of these stores in the total available sales area is considered, then it should be noted that in 2007 this share amounted to nearly 18%. In 2007 the average sales area of a store operated by a foreign enterprise stood at 736 sq.m., while for a privately-owned domestic enterprise this value amounted to 151 sq.m.

Table 3. Number of supermarkets and hypermarkets in Poland

<b>Years</b>	<b>Hypermarkets</b>	<b>1998=100</b>	<b>Supermarkets</b>	<b>1998=100</b>
<b>1998</b>	54	no data available	936	no data available
<b>1999</b>	no data available	no data available	no data available	no data available
<b>2000</b>	102	no data available	1602	no data available
<b>2001</b>	190	192%	1739	109%
<b>2002</b>	216	114%	1863	107%
<b>2003</b>	293	136%	2043	110%
<b>2004</b>	338	115%	2347	115%
<b>2005</b>	374	111%	2716	116%
<b>2006</b>	410	110%	3003	111%
<b>2007</b>	396	97%	3506	117%
<b>2008</b>	463	117%	3629	104%

Source: Handel Wewnętrzny w 1995...2008, (Internal market in 1995, ...2008), GUS, Warszawa 1995...2008

The period analysed also brought about the development of subsidiary enterprises. The most rapid growth was noted in case of retail chains comprising 3-10 outlets or over 101 points of sale. However, there was a drop in the number of chains operating 11 to 100 stores (see Table 4.). The reason could be the lack of adequate management skills to operate larger retail chains. In order to run small chains the experience gained over the years, weak competition and the familiarity with the local consumers' needs were sufficient. In contrast, running a retail chain in a larger territory with a larger number of subsidiaries and operations could pose a barrier to the development of these enterprises.

The appearance of foreign enterprises has led not only to quantitative changes, but also new quality standards in customer service (Kłosiewicz, Słomińska, 1999). These changes concern both the formats of retail outlets, new forms of trade, as well as the quality of the retail services provided.

Table 4. Retail entities according to the number of outlets

	<b>1991</b>	<b>1995</b>	<b>2000</b>	<b>2005</b>	<b>2007</b>	<b>2008</b>	<b>1991=100</b>
<b>Total</b>	<b>259306</b>	<b>382875</b>	<b>392143</b>	<b>334639</b>	<b>317504</b>	<b>327316</b>	<b>126</b>
1-2	254867	377547	386700	328769	311484	320808	126
3-10	2211	3989	4411	4792	4886	5329	241
11-20	1239	969	781	716	713	748	60
21-50	882	337	221	270	313	319	36
51-100	91	27	22	66	70	65	71
101-200	11	4	6	20	27	34	309
201 and more	5	2	2	6	11	13	260

Source: Handel Wewnętrzny w 1995....2008, (Internal Market in 1995, ...2008), GUS, Warszawa (1995...2008)

Foreign enterprises have contributed, in particular, to:

- the creation of new distribution channels,
- trade consolidation,
- acceleration of integration processes,
- popularization of merchandising techniques,
- promoting modern customer care methods,
- the introduction of modern retail outlet and chain management methods,
- the development of new co-operation principles in distribution channels, in particular the popularity of franchising.

The rapid growth and substantial advantage in terms of the capital available to foreign enterprises as compared to Polish companies has caused resentment among the domestic entities which began to view the expansion of foreign chains with hostility and decided to take defensive action. This was due to market analyses which had shown that already at the beginning of the first decade of the 21<sup>st</sup> century as little as 2 per cent of trade represented by large format facilities accounted for over 25% of total sector revenues. Moreover, in 2003 it was estimated that the maximum saturation point of the Polish retail sector with regard to hypermarkets would stand at 220-250 outlets (Grzesiuk, 2007). Meanwhile already in 2007 there were 396 such outlets, following a drop by 14 facilities as compared to 2006. In large cities it became more and more difficult to obtain locations, so the retailers wishing to expand turned their attention to towns with a population of less than 100 thousand.

The consolidation of revenues in few outlets owned by foreign investors proved alarming to merchants representing the fragmented Polish capital. Furthermore, large retail chains began to impose pricing conditions on the manufacturers, which gradually forced the manufacturers with weaker or no brands out of business, while entities with strong recognizable brands started to seek alternative sales channels. Attempts were made at regulating these issues to limit the usage of interest-free long-term merchant loans by retail chains. At the same time merchant associations began to exert pressure at the legislator to introduce a ban on large format retailing on Sundays and public holidays. The merchant lobby has succeeded in the introduction of a legislative compromise, an act of law banning trade on 12 public holidays.

In the first period of transformation, Polish enterprises, in comparison with foreign entities, were characterised by:

- unwillingness to consolidate at the level of small family-owned stores,
- the emergence of initiatives by wholesalers aimed at integrating the wholesaling community
- the establishment of vertical relations between wholesale depots and stores, especially outlets already operating within a chain,
- the creation of strong purchasing groups representing wholesalers or retailers in relations with the manufacturers.

The following years, especially at the beginning of the new century, brought about fierce competition. The processes outlined above are related to changes in the operating methods used by both Polish, as well as foreign enterprises. On the one hand it was the companies themselves that shaped the phenomena that took place, on the other they had to develop a strategy enabling them to operate in an ever-changing environment. Market research conducted in the 1990s demonstrated that Polish entrepreneurs were looking for their own development strategies. At the same time the strategies of international corporations evolved over the years, from market entry strategies to strategies aimed at building a competitive advantage. At the beginning they concentrated more on standardization strategies, while during the last few years we see, that adaptation is necessary for success on the Polish market (White, Absher 2005). However it is difficult to talk about purely normative strategies or strategies resulting from market position. Foreign corporations could not fully copy the strategies applied on their domestic markets, due to the country-specific conditions of the macroeconomic and competitive environment. Instead they focused on attracting business

partners and forming partnerships or acquiring locations. Foreign companies that entered the Polish market as early as in the 1990s include the Metro group from Germany, Netto from Denmark, and, first and foremost, Jeronimo Martins, the Portuguese chain. The formats launched by these entities were mainly cash and carry depots, non-food hypermarkets and discount chains. For instance, starting in 1994, the Metro group began to open cash and carry depots in Poland at the rate of 3 facilities per year.<sup>2</sup> French and British enterprises were late to discover the potential of the Polish market.<sup>3</sup> At the moment we are witnessing the development of companies which, following the period of territorial expansion, are currently striving to implement a penetration strategy. It should be noted that, in comparison with other countries, Poland has the greatest number of foreign retail enterprises. As a result competition is expected to become fiercer not between Polish entities, but between foreign investors. Consequently, competition will concern stores of a given format, rather than various outlets of different types operating in the same area. Research has shown that Polish family-owned businesses are forced to seek niche strategies and build a unique identity on the local market.

The solution transferred into the Polish market were copied by Polish enterprises which, unable to compete in terms of capital investments, were looking for their own market niches. Not until the Polish retail sector started to organise purchasing chains, retail chains or its own supply centres did it begin to fight off the expansion of foreign corporations more effectively. For instance, at the beginning of 2009 in Poland were offered 480 franchising systems, mainly in retailing, while nearly 23 thousand franchisees operated 26.6 thousand stores and service points (an annual increase by 20%)<sup>4</sup>. The Polish retail sector has adopted business concepts from foreign corporations and, over the past decade, has managed to successfully compete with them. Nevertheless foreign market players remain the leaders in the retail sector (see Table 5.).

The internationalization brought new challenges to companies operating in retail trade in Poland. They have to take into consideration such processes and phenomena as globalization of strategies of large chain stores, lack of capital and organizational weakness of Polish companies, investments in modern shopping centres, well recognition local markets and partnership in relations with suppliers and customers and innovation – Polish companies seems to be more creative and innovative than foreign companies, which concentrate on keeping all their achievements than changes. As a result Polish companies may learn from foreign

---

<sup>2</sup> [www.makro.pl](http://www.makro.pl) (2009-08-20)

<sup>3</sup> The Intermarche chain entered the Polish market in 1997 and currently, together with Bricomarche, comprises 196 outlets, in: [www.muszkieterowie.pl](http://www.muszkieterowie.pl) (2009-08-20)

<sup>4</sup> [www.handel-net.pl](http://www.handel-net.pl) (2009-08-20)

companies, adopt or build own unique competitive strategies, benefit from market gaps, be more innovative and creative in business (Domański 2006).

Table 5. Top 20 of the Polish retail sector in 2008

Item	Company name	Retail chains	Sales (in PLN m)	Change 2008/2007	Number of outlets
1.	Jeronimo Martins Dystrybucja	Biedronka	12300	137%	1372
2.	Grupa Emperia	Groszek, Stokrotka, Delima, Milea, Lewiatan, Euro Sklep, Społem Tychy	11 620*	no data available	3792
3.	Tesco Polska	Tesco, Savia	9100	112%	323
4.	Carrefour Polska	Carrefour, Carrefour Express, Carrefour 5 minut	7 800 *	no data available	336
5.	Grupa Eurocash	ABC, Delikatesy Centrum, IGA, Nasze Sklepy	6122	129%	3 670*
6.	Grupa Auchan	Auchan	5850	115%	24
7.	Real Polska	Real	5520	106%	53
8.	Ruch	Ruch	4170	101%	9000
9.	Grupa Kapitałowa Kolporter	Saloniki Prasowe Kolporter, Salony Multimedialne Kolporter, Meta Markety, Dobry Wybór	3774	123%	1051
10.	Kaufland Markety	Kaufland	3 400*	no data available	110
11.	Grupa Muszkieterów	Intermarché	2350	111%	133
12.	Polomarket	Polomarket, Mini Polomarket	2200	116%	264
13.	Rossmann Polska	Rossmann	2141	126%	330
14.	Grupa E.Leclerc	E.Leclerc	2116	104%	18
15.	Lidl Polska	Lidl	2 100 *	no data available	300*
16.	Żabka Polska	Żabka	1833	115%	2002
17.	Eko Holding	Eko, Rabat	1722	144%	608
18.	Netto Art. Żywnościowe	Netto	1680	113%	152
19.	Nasz Sklep	Nasz Sklep	1550	141%	1010
20.	F.J. Marketing Concept	F.J. Sklepy Spożywcze	1330	no data available	318

\*estimate

Source: Top 20 of FMCG retailing, in: [www.detaldzisiaj.com.pl](http://www.detaldzisiaj.com.pl) (2009-08-20)

## Strategies of selected retailers in Poland

Some enterprises stand out on the market in terms of the operating strategies applied. Below you will find examples of selected strategies used on the Polish market by retail chains that are leaders in their respective formats. These chains apply both the territorial expansion strategies and market penetration strategies, as well as broaden their distribution channels to include new formats. It is worth referring to Knee and Walters' matrix here, where individual strategies are identified based on three types of segments and three kinds of product policies (see Figure 1). The companies introduced below do not, however, use pure strategies, but rather choose to implement mixed options, such as expanding the product range to include new services (e.g. Żabka), new products (e.g. Biedronka, rapidly adding its own private label brands), as well as executing territorial expansion (establishing new outlets in new towns and cities). At the same time they implement low pricing strategies (Biedronka), competition through high quality of products and services (Piotr i Paweł or Alma chains) or proximity and convenience strategies (e.g. Żabka, Groszek or Stokrotka chain stores).

Figure 1.

### Retailing strategies – Knee and Walters' matrix

		Market segments		
		Existing	Related	New
P r o d u c t  p a c k a g e	Existing	Consolidation and productivity improvements	Development of related markets	Development of non-related markets
	Related	Adding new product ranges, specialisation, new customer services, new outlet types	Growth	Diversification
	New	Expanding the product range		

Source: (edited by Sławińska, 2005)

Piotr i Paweł (Peter and Paul) chain of stores is one of few examples of a large retail chain developed based solely on Polish capital.<sup>5</sup> The company, established by the Poznań-based Woś family, launched its operations in 1990. Ten years later Piotr i Paweł expanded its operations beyond the city of Poznań. In 2008 the chain comprised 50 outlets. In 2009 the number of stores already stands at 61, located in 40 cities nationwide. The average sales area amounts to 1100 sq.m., while the product range covers 30 000 items. 45 of the outlets are the company's own stores, with the remaining 16 operating as part of a franchising system. The company employs around 3 thousand staff and is based on Polish capital. The strength of the stores lies mainly with their clearly established identity, i.e. of outlets offering high quality fresh produce, especially vegetables, fruit, meat, cold meats and dairy, as well as unique imported products. Moreover, customers may expect to receive top-quality service by efficient and competent personnel. The stores stand out in terms of their internal design and the outside environment. The beginning of the 21<sup>st</sup> century brought about changes to the company's strategy. The business seized the opportunities offered by the widespread use of the Internet and expanded its distribution channels. The customers were offered a chance to do their shopping online. Furthermore, the company began co-operation with Shell petrol stations, launching the Piotr i Paweł Express chain and thus entering a new format, i.e. convenience stores.

A different format and a different strategy can be observed in the Chata Polska (The Polish Cottage) chain, which focuses its efforts on territorial expansion. In 1997 the chain comprised 30 outlets, whereas in 2007 their number already stood at 210<sup>6</sup>. The chain operates based on a franchising system, using it to widen its reach. The condition for joining the Chata Polska chain is the ownership of a self-service store with an area exceeding 100 sq.m., located in a housing estate or in another area with a large population of prospective customers. However, an analysis of the chain has indicated significant variations in the size of the outlets. Some stores have an area of 400 sq.m., while others – 75 sq.m. Therefore the chain operates a smaller format than Piotr i Paweł, it is also more varied, as a consequence of the nature of its locations – it operates mainly in Poland's smaller towns.

Żabka ("The Little Frog") was established in 1998 as a chain of convenience stores, modelled upon the concept of 7-Eleven. Żabka uses the location proximity factor. At the moment the chain comprises over 2000 outlets and applies the strategy of territorial expansion

---

<sup>5</sup> [www.piotripawel.pl](http://www.piotripawel.pl) (2009-08-20)

<sup>6</sup> [www.chatapolska.pl](http://www.chatapolska.pl) (2009-08-20)



and widening the range of services offered. Apart from regular sales the stores provide such services as the sale of lottery tickets, top-up cards for pre-paid mobile phones, the possibility to pay household bills and cash back service up to a limited amount. The chain has expanded its operations and is currently present also on the Czech market. Żabka stores can be found in convenient locations, while their average sales area stands at around 60 sq.m., which makes shopping quick and comfortable. The stores are open from 6 a.m. to 11 p.m., 365 days a year. In 2009 the company began to develop a new chain of larger delicatessen stores called Freshmarket.<sup>7</sup> This solution enables the company to penetrate its existing markets and fight off possible competition from independent family-owned shops.

Biedronka (“The Ladybird”) is the largest and most popular chain of discount stores in Poland, regularly visited by 55% of Poles. Modelled initially upon the German chain Aldi, Biedronka managed to develop its own strategy, based to a large extent on private label brands. At the moment the chain comprises over 1400 outlets located in 600 towns and cities of various size all over Poland, offering food products and household chemicals. When it comes to the prices, the chain applies the strategy used by the American Walmart chain, i.e. Every Day Low Prices. Biedronka stores are visited by more than 2 million shoppers every day. The company employs over 27 500 staff. It belongs to Jeronimo Martins Dystrybucja, a corporation whose investments in Poland since 1995 have exceeded PLN 3 billion.<sup>8</sup>

An interesting example of a company using a different strategy than the development in a given format is Grupa Handlowa Emperia (Emperia Trading Group), which serves as an integrator and whose development strategy is based on expanding retail and wholesale structures, while at the same time establishing a distribution and logistics base.(see Table 6)<sup>9</sup>.

It is among Poland’s largest and most active trading groups engaging in the retail and wholesale of food products, cosmetics and household chemicals. Emperia Trading Group’s operations are co-ordinated by Emperia Holding S.A., a public company listed on Warsaw Stock Exchange. The company was established in 1990 as a sole proprietorship by Artur Kawa and Jarosław Wawerski, debuted on the Warsaw Stock Exchange in 2002 and changed its name to Emperia Holding S.A. in 2007. The Emperia Trading Group distributes FMCG products through a chain of Cash&Carry depots and Distribution Centres located all over Poland. The Group offers a broad range of food products, cosmetics and household chemicals,

---

<sup>7</sup> [www.zabka.pl](http://www.zabka.pl) (2009-08-20)

<sup>8</sup> [www.biedronka.pl](http://www.biedronka.pl) (2009-08-20)

<sup>9</sup> [www.emperia.pl](http://www.emperia.pl) (2009-08-20)

favourable business terms, as well as a state-of-the-art IT and logistics system. The retail business of the Emperia Trading Group is run through a chain of supermarkets. In 2009 the Group comprised Emperia Holding S.A., a company in charge of developing the operating strategy and co-ordinating the work of the Group, followed by distribution companies and retailers running the supermarket chains.

Table 6. Retail chains operating as part of Emperia Holding S.A.

<b>Name of chain</b>	<b>No. of outlets (2009-07-01)</b>
Stokrotka	153
Delima	5
Groszek	1061
Milea	61
Lewiatan Podlasie	171
Lewiatan Dolny Śląsk	110
Lewiatan Zachód	254
Lewiatan Orbita	100
Lewiatan Śląsk	176
Lewiatan Wielkopolska	182
Lewiatan Północ	162
Lewiatan Opole	171
Euro Sklep	506
Spółem Tychy	25
Maro-Markety	20

Source: [www.emperia.pl](http://www.emperia.pl) (2009-08-20)

The second half of the first decade of the 21st century has brought about a global recession. However, statistical data until 2007 demonstrates that foreign enterprises continued their heavy investments in Poland. Nevertheless, there are also entities that decided to withdraw from the Polish market. For instance the Casino group has sold its chain of smaller markets to Tesco, while Geant supermarkets have been purchased by Metro and transformed into Real stores. There were also partial withdrawals, for instance Rewe decided to quit its retail operations in order to strengthen its wholesale business run through Selgros cash and carry depots. The first entity to withdraw from the Polish market was the German Hit chain, selling its facilities to Tesco, UK. The latter is among the players with the longest presence on the Polish market. It began its operations as a Savia chain, later to take up activity under its own brand. At first its slogan, defining the product and pricing strategy, read “Dużo, Tanio, Tesco” (*A lot, cheap, Tesco*), but after a few years, with the introduction of the Cherokee brand, the concept changed to “Dla Ciebie, dla rodziny” (*For you and your family*). At the same time the company copied some of the strategies applied on its domestic market, by launching smaller format stores with a more limited product range. The success of Biedronka

discount chain encouraged Tesco to follow its solutions and introduce the so-called discount prices. The Tesco brand currently covers 320 stores, 24 petrol stations and 3 distribution centres. Moreover, the Tesco chain also comprises 31 Savia supermarkets. The Tesco group employs over 28 000 staff. In the financial year 2007-2008 Tesco group's turnover exceeded PLN 8.1 billion (VAT excluded) (which constitutes a 24% sales revenue growth compared to the previous year). The value of Tesco's investments in Poland in the years 1995-2008 amounted to PLN 9 billion. The rapid development of the chain can be attributed to Tesco's key investments in Poland – including the purchase of 144 Leader Price stores from the French Casino group in 2007 or the purchase of 9 Julius Meinl stores in 2005. Previously, in 2002, Tesco purchased 13 HIT chain stores.

### **Conclusions**

The Polish retail trade has changed during last 20 years. We could observe both structural and qualitative processes which transformed the industry into modern part of the Polish economy. It was privatized in very short time almost in 100%, just after 1990, but at the same time became very fragmented in comparison with other EU countries. Now, according to the data, the situation started to change. Poland is exception in comparison with other countries, because all European trade companies operate there, while in other countries dominate domestic company or one or two foreign entities. Foreign trade companies brought modern technology and management knowledge into the sector. Their presence brought new higher quality of services and standards of outlets, which were improved. Also owing to them process of concentration has begun.

The expansion of foreign retail companies forced Polish entrepreneurs to concentrate and integrate, and build new competitive strategies. The process in that area is quite slow mainly because of limited interest in cooperation and lack of capital. Although Polish companies are not able to compete with large formats like hypermarkets, they can successfully build chain stores based on franchise agreements which integrate small local companies. They knowledge about local market and acquaintance with customers are strengths which help build competitive advantage. The ability to compete with foreign international retail companies increased also because of creativity of managers and flexibility of management, while large companies, which often prefer standardization slow down their reactions (Domański 2006).

The examples of retail companies presented above were aimed at demonstrating the transformations that have taken place in Polish retailing, particularly due to the inflow of

foreign capital to that sector of the national economy. These transformations have resulted in the emergence of various operating strategies used by retail chains in Poland. At the moment all retail formats can be observed in Poland, with the most rapid development experienced by large format facilities, discount chains and convenience stores. A decline has been noted in the number of outlets representing microenterprises, usually small family-owned businesses, which do not have the capacity to build their own unique identity.

Over the past few years expansion trends have been accompanied by withdrawals from the market and the disposal of assets. In view of the economic recession faced by countries around the world in the years 2007-2009, the coming years are expected to bring about a surge in acquisitions of weaker enterprises, the development of discount chains and further accession of independent retailers to chain structures. The decline in the number of retail outlets on the Polish, still strongly fragmented, market is expected to continue, together with the growing popularity of franchising systems, supporting the development of microenterprises.

## **Bibliography**

- Biedermann M., Pilarczyk B., (1997), Funkcjonowanie handlu detalicznego w Polsce w latach 1992-1995, w: Uwarunkowania rozwoju handlu w Polsce na tle tendencji światowych (*Conditions for the Development of Trade in Poland versus Worldwide Trends*), edited by B. Pilarczyk, AE Poznań,
- Domański T. (2001), Strategie marketingowe dużych sieci handlowych (*Marketing Strategies of Large Chain Stores*), PWN, Warszawa-Łódź,
- Domański T. (2005), Strategie rozwoju handlu (*Trade Development Strategies*), PWE, Warszawa,
- Domański T. (2006), Proces internacjonalizacji polskiego handlu. Wyzwania i zagrożenia dla polskich firm ( *The process of internationalization of Polish trade. Challenges and threats for Polish companies*), w: Handel. Znaczenie we współczesnej gospodarce, pod red. J. Mikołajczyka, Wydawnictwo Wyższej Szkoły Handlu i Usług, Poznań 2006, p. 36
- Globalizacja w handlu (*Trade Globalisation*) (1996), edited by M. Strużycki, IRWiK, Warszawa, p. 65,
- Grzesiuk A. (2007), Handel detaliczny w Polsce w okresie transformacji. Diagnoza i trendy rozwojowe (*Retailing in Poland during the Transformation Period. Diagnosis and Development Trends*), Zachodniopomorska Szkoła Biznesu, article not published,

Kłosiewicz U., Słomińska B. (1999), Handel artykułami żywnościowymi w Polsce w opinii ekspertów (Trade of FMCG in Poland according to experts), PWF, Warszawa, p.9,

Pokorska B., Maleszyk E. (2002), Koncentracja i integracja w handlu wewnętrznym (*Consolidation and Integration in Internal Trade*), PWE, Warszawa, pp. 62-63,

Rynek wewnętrzny w 1996 (*Internal Market in 1996*), GUS, Warszawa 1996

Rynek wewnętrzny w 1997 (*Internal Market in 1997*), GUS, Warszawa 1997

Rynek wewnętrzny w 1998 (*Internal Market in 1998*), GUS, Warszawa 1998

Rynek wewnętrzny w 2000 (*Internal Market in 2000*), GUS, Warszawa 2000

Rynek wewnętrzny w 2002 (*Internal Market in 2002*), GUS, Warszawa 2002

Rynek wewnętrzny w 2004 (*Internal Market in 2004*), GUS, Warszawa 2004

Rynek wewnętrzny w 2006 (*Internal Market in 2006*), GUS, Warszawa 2006

Rynek wewnętrzny w 2008 (*Internal Market in 2008*), GUS, Warszawa 2008

Sławińska M. (2006), Stan i kierunki rozwoju handlu w Polsce (*The status and trends of the trade in Poland*), w: Handel. Znaczenie we współczesnej gospodarce, pod red. J. Mikołajczyka, Wydawnictwo Wyższej Szkoły Handlu i Usług, Poznań, p. 17

Śmigielska G. (2007), Kreowanie przewagi konkurencyjnej w handlu detalicznym (*Building a Competitive Advantage in Retailing*), AE Kraków

Strategie konkurencji w handlu detalicznym w warunkach globalizacji rynku (*Competition Strategies in Retailing versus Market Globalisation*) (2005), edited by M. Sławińska, AE Poznań, p. 70

White D.W., Absher K. (2007), Positioning of retail stores in Central and Eastern European accession states. Standardization versus adaptation, *European Journal of Marketing*, Nr 3/4, pp.293-301

[www.biedronka.pl](http://www.biedronka.pl) (2009-08-20)

[www.chatapolska.pl](http://www.chatapolska.pl) (2009-08-20)

[www.detaldzisiaj.com.pl](http://www.detaldzisiaj.com.pl) (2009-08-20)

[www.emperia.pl](http://www.emperia.pl) (2009-08-20)

[www.makro.pl](http://www.makro.pl) (2009-08-20)

[www.muszkietierowie.pl](http://www.muszkietierowie.pl) (2009-07-30)

[www.oecd.pl](http://www.oecd.pl) (2009-07-30)

[www.piotripawel.pl](http://www.piotripawel.pl) (2009-08-20)

[www.zabka.pl](http://www.zabka.pl) (2009-09-01)