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**INFLUENCE OF FOREIGN DIRECT
INVESTMENTS ON THE MARKET BEHAVIOUR
OF TRADE ENTITIES IN POLAND**

Introduction

The aim of this paper is to present changes in the sphere of Polish trade that took place under the influence of foreign investments. Entering the Polish market by foreign entities resulted in visible changes in orientation towards customers and in enormous competition and caused processes of consolidation of domestic trade that had been scattered before.

In the first years of transformation, privatisation processes that took place in trade were most noticeable. In the middle of nineties, large selling area chain stores started their activity in Polish market and their presence created a totally new situation in trade. Polish entities of the trading field were forced to increase their attractiveness, which is inevitably related to the necessity of investments in infrastructure they possessed. It is worth noting that we can observe consolidation processes, takeovers and constant growth of competitive struggle in Polish trade.

In this paper, the Authors make an attempt to both indicate investment undertakings of both foreign and Polish entities and show fundamental tendencies of changes that take place in trade under the influence of investments.

1. Characteristics of the trade sector in Poland

Since the mid-nineties in Poland, we have been observing a dynamic development of the sphere of trade, which is accompanied by deep and radical transformations of retail sale. The transformations have the characteristics of a process, the elements of which are on various levels of progression. Structural transformations have the characteristics of both quantity and quality related changes.

In this period in our country there appeared first shops of European commercial chains. They were Hit and Leclerc hypermarkets. Soon they were joined by almost all the largest commercial consortia from Europe, which caused a violent increase in the number of shops with foreign capital. Particularly high dynamics of growth was observed in the number of large selling area chain stores. The notion of a large selling area chain store refers to a shop in which retail and wholesale trade activity is run on the selling area of over 300 m².

Expansion of European trade chains significantly influenced the speed and direction of changes that were taking place in Polish trade, which was additionally determined by the demographic structure of Poland. At present, around thirty eight million Poles live in nearly 54.5 thousand towns and cities. Only 600 of those places are inhabited by populations of more than five thousand inhabitants. They are areas in which New Channels of Distribution (NCD) develop. In cities that are smaller than

five thousand inhabitants traditional trade is dominating, and around 25% of all groceries are located in villages (Ejchart, 2007).

Analysing the changes that have been taking place in the sphere of Polish trade we can notice three periods of changes. They are presented in Table 1.

Table 1

Changes that took place in the Polish trade between 1995 and 2007

Period of changes	Major phenomena accompanying the changes	Consequences of changes
1995-2001	<ul style="list-style-type: none"> – Development of traditional trade, – Growth in the number of grocery shops, – Gradual increase of new channels of distribution (ncd) in the market share, – In 2001 around 30% of fmcg products is realised by NCD 	Emergence of european trade chains
2001-2003	<ul style="list-style-type: none"> – Number of grocery shops reaches its maximum level, NCD develop dynamically, – Market share of NCD in the fmcg market exceeds 30% 	In 2003 in the sphere of trade 186 hypermarkets, 1,105 discount shops and 744 modern supermarkets were operating – they competed in the market
2003-2004	<ul style="list-style-type: none"> – Dynamic development of ncd was accompanied by a decrease in the number of traditional shops in fmcg distribution and their market share, – Within ncd channel, a group of leaders emerged and companies that did not manage to establish a strong market position undertook a decision of retreat 	Consolidation of the traditional market took place on three levels: <ol style="list-style-type: none"> 1. Between wholesalers: regional wholesale chains got together in order to increase a geographical range of action and strengthen their negotiating position towards suppliers (boss was taking over eldorado). 2. Vertical consolidation between wholesalers and shops: leading wholesalers gathered shops around them in order to ensure market for sale for themselves. In this way franchising chains or trading groups that were capital integrated emerged. 3. Consolidation on the retail level: traditional retail trade worked under pressure of hypermarkets, discount shops and supermarkets. Retailers aimed at strengthening market position through getting together in trade chains
2005-2007	<ul style="list-style-type: none"> – NCD in FMCG market reached the level of around 50% realised by large selling areas, – Number and share of grocery shops in market fell to around 9%, – Hypermarkets developed most dynamically, – Further development and investments of Polish supermarket chains 	<ul style="list-style-type: none"> – Around 3.000 large selling area shops operated, – Shops that belonged to six chains were left in the market: real/ metro, tesco, carrefour, auchan, kaufland/schwarz and leclerc group, – 4 operators of discount chains were in the market: biedronka/jmd, lidl/schwarz group, plus discount/tengelmann and netto were functioning, – 80 franchising and agency chains functioned

Source: Based on: Handel (2006); Agencja Badawcza GFK Polonia (2008).

It has to be remarked that changes presented in Table 1 that have been taking place in the sphere of Polish trade prove, without any doubt, the trade dynamic development that is accompanied by justified growth in investments. Between 1994 and

2006 about 20 billion USD was invested in the analysed line of trade, out of which, 85% was made by investments of the European trade chains (Gazeta Wyborcza, 2007). The course, as well as the tendency and pace of changes observed in the sphere of Polish trade are influenced by several market phenomena and processes. Expansion of the European trade chains and the demographic structure of Poland, which have been mentioned above, occupy a special place among the phenomena and processes in question.

On the one hand strong foreign competition between trade chains influenced reduction of the role of traditional trade and on the other caused fast development of New Channels of Distribution (NCD). Within 11 years (between 1995 and 2006) there appeared 3,000 large selling area chain shops while in the same time the number of grocery shops decreased by 11.000 (9%).

On the basis of their own observations and analyses, the authors of the article claim that so far the channel of hypermarkets and the channel of discount shops have been the fastest developing channels of distribution. Development of domestic selling chains that is particularly observed in the segment of supermarkets is a positive phenomenon. Each successive year of a chain functioning, brings new investments of Polish operators owing to which the dynamics of changes is very high.

The report on FMCG in Poland published by the Research Institute of GFK Polonia allows for concluding that the highest level of annual turnover per square metre of selling area is achieved by Polish selling chains, which is confirmed by the Table 2.

Table 2

The most efficient selling chains in Poland in 2007

Country of the chain origin	Name of the chain	Annual turnover from 1 square meter (in PLN)
Poland	Alma	24.900
France	E. Leclerc	24.900
Poland	Centrum Delicatessen	24.900
Poland	Polomarket	22.800
Poland	Piotr i Paweł	22.500
Poland	PSS Społem Białystok	20.200
France	Auchan	19.500
France	Intermarche	17.200
Portugal	Biedronka	17.200
Great Britain	Tesco	14.900
Poland	Żabka	13.900
Poland	EKO	13.100
France	Carrefour	12.400
Germany	Real	12.000
Poland	Stokrotka	11.200
Germany	Lidl	7.500

Source: Puls Biznesu (2008).

As it comes out of the above table, in the group of entities with their annual turnovers from a square metre above 20 thousand PLN, Polish chains (Alma, Centrum Delikatessen, Polomarket, Piotr i Paweł, Społem Białystok) are predominant. Only one of foreign chains has its annual turnover higher than 20 thousand PLN and it is E. Leclerc, a hypermarket chain.

It ought to be added that changes that take place in the sphere of Polish trade take place not only on the retail level but also on the level of wholesale. The decrease in the number of traditional shops resulted in the reduction of the role of wholesale in the distribution of FMCG products. Functions that were traditionally performed by wholesale companies were taken over by New Channels of Distribution (NCD). As a result of the above, Polish wholesale companies start to play an important role in the process of consolidation of the traditional trade that takes place on three levels. The first is made by horizontal consolidation between wholesale firms, the second by vertical consolidation between wholesale firms and shops and the third one by horizontal consolidation on the retail level.

2. Foreign investments in Polish trade

In case of analysed entities of the sphere of trade, the notion of investment can refer to activity aiming at increasing the capital. The notions: “investment” and “investment enterprise” are terms used in the literature of the subject interchangeably (Jajuga and Słoński, 1997). International migration of capital is one of the levels of international economic relations. Foreign investments lie directly in the purchase of assets abroad as a result of which selling enterprises that are daughter companies or branches of mother companies come into existence. The authors of “Dictionary of foreign trade” define direct investments as a form of long term capital investment that is based on creating in a foreign country a new company and providing it with initial capital or purchase of such a number of shares of a foreign company that allows for controlling its activity. The purpose of direct investments is to obtain profit (dividend) from activity of foreign enterprises or increasing profitability of domestic production by means of ensuring, with their help, supplies of cheap resources and half-products or direct or indirect control of competition’ (Białecki, Dorosz, and Januszkiewicz, 1993). The notion of direct foreign investments is similarly defined by A. Zachorowska who considers investment an organised activity the purpose of which is to create new or enlarge existing assets or such a change of those assets in such a way that it is possible to achieve their more efficient use (Zachorowska, 2006).

Generally, the investments of the trade sector make up about 10% of total investments in the Polish economy. Since 2000 this share has been on a relatively constant level to be a few percentage points lower than the share of trade in production of gross value added (Wyżnikiewicz, Fundowicz, Łapiński, and Peterlik, 2006).

The above mainly results from specificity of the sector in which running activity does not usually require contribution of such large investments like for example in industry or construction. Direct foreign investments make up a significant part of investment in the sphere of trade.

Polish Information and Foreign Investment Agency (Państwowa Agencja Informacji i Inwestycji Zagranicznych – PAIiIZ)* that analyses direct investments (FDI) over 1 million USD informs that in 2004 the volume of foreign investment in trade in Poland was at the level of 1,390 million USD. Hence, FDI made up 256.9% of their value from the year 2003 and 66.5% of their record level reported in 2001 (2.096 million USD). Since the beginning of the nineties and until the end of 2004, foreign investments in trade amounted to 9.517.4 million, thus making up 11.8% of the FDI value in total. This percentage has been stable for some years.

The results of the analysis of the real structure of foreign investments show strengthening of new tendencies in investment because:

- 46.5% of total investment (that is 4.425.4 million USD) was spent on development of selling chains of mass attendance, that is hypermarkets, supermarkets, discount shops and other grocery shops located mainly in shopping centres and malls (an increase in share of 1% in comparison with 2003),
- 19.8% of investments (1.887.5 million USD) were allocated to develop petrol stations together with commercial and service infrastructure (convenience shops and fast food bars, etc.) and distribution of vehicles (decrease in share by 2.8% compared with 2003),
- 16.8% of investments (1,597.5 million USD) was allocated for multidirectional investments that integrate wholesale and retail trade, the so-called large distribution (an increase of share by 0.8% compared to 2003),
- 13.5% of investments (1.281.5 million USD) was spent on development of specialised selling chains, especially franchising and partnership that expand Polish market of innovative forms of trade and line specialities (an increase in share by 7.9% compared with 2003),
- 3.4% of investments (325.5 million USD) was spent on the storehouse infrastructure of mainly foreign companies that start their activity in Poland.

Fundamental and most popular reasons for starting direct investments in other countries include: search for new markets, search for resources, search for new technologies, search for efficiency of production and avoidance of political and administrative obstacles. According to the authors of the article, in the case of trade, direct investments are related to the fact of shrinking of domestic markets (mainly in

* In 2004 PAIiIZ stopped collecting information from foreign investors about declared further investments (for which the prospect of years was not specified), focussing on existing circumstances, and therefore presented data refer to the year of 2004.

the countries of the European Union). The sphere of the retail trade in these countries is at its stage of maturity which, in practice, makes it difficult to increase sale. This factor results in undertaking the strategy of expansion into new markets. The table below presents the percentage of operating selling chains in selected countries. On the grounds of the data included in this table we can state that Poland belongs to the group of fifteen countries with the largest number of international trade chains (Stone, 1995). The above is synonymous to large investment made in this sphere.

Table 3

A list of countries grouped according to the number of international selling chains (in %)

Place	Country	Percentage of operating international selling chains
1	Great Britain	55%
2	Spain	51%
3.	France	49%
4.	Germany	47%
5.	Italy	45%
6.	Switzerland	42%
7.	Austria	42%
8.	United Arab Emirates	41%
9.	China	40%
10.	Russia	39%
11.	USA	39%
12.	Holland	38%
13.	Singapore	38%
14.	Belgium	37%
15.	Poland	35%

* CB Company Richard Ellis, based in Los Angeles, is one of 500 best companies in the world listed by the rating agency Standard & Poor's. The range of services offered include strategic counselling in the sphere of investment and hire, corporation services, property and project management services, company administration, mortgage banking, pricing, developing services, investment management services and consulting, and analytical services. In 2007 CB Richard Ellis won the title of one of 50 best companies in the property sector in the Business Week ranking, and was included in 100 fastest developing companies according to the Fortune magazine. More on: <http://www.cbre.com>.

Source: Richard Ellis Poland (2008)*.

Significant presence of European selling chains in Poland provided our country with the 15th position in world ranking. Apart from Russia, Poland is the only market in Central and Eastern Europe that has been classified in the top fifteen, with the result of 35 percent presence of international selling chains in Poland that were included in the study.

According to the quoted report, the first place (considering the presence of international companies of retail sale) is occupied by Great Britain in which 55% of

companies included in the study are found. The second place is taken by Spain in which 51% of international selling chains operate. This location proves growing significance of the Spanish market on a global scale. France and Germany are also ranked high. They occupy the third and fourth place. Next locations in top ten are occupied by the United Arab Emirates and China that belong to the so-called rising markets. The absence of the USA in top ten is a surprising fact. The USA occupies the 11th position with 39 percent presence of representatives of international selling chains. CB Richard Ellis explains this fact with maturity, size and power of domestic American retailers, which allows only the most powerful foreign chains to enter this market.

Pricewaterhouse Coopers have prepared an interesting global analysis of changing challenges and investment opportunities of companies that operate in the sphere of retail trade and consumer goods in economies that are under the process of transformation. This year, the analysis has focused on three major developing regions: Asia, Eastern Europe and South America and described two most important countries from each continent: Brazil, Argentina, India, China, Russia and Poland. The analysis proves that rising markets such as Poland are more and more important for global selling chains stores. With a higher than average increase in retail sale that is anticipated in approaching years, Poland is going to be a market that has to be carefully observed. The analysed report on the presence of global selling chain stores shows that the retail profile of Poland is dominated by European companies, which indicates significant insufficiency of use of the market potential.

According to the quoted report, investments realised by large selling area chain stores that operate in Poland are reported within the sphere of opening new selling points, improving equipment of supermarkets, and a modern form of service (e.g. Auchan was the first to introduce self-service cash registers). Moreover, actions involving extension of the range of products can be observed. Tesco Poland chain, a company that is very expansive in its actions, is planning to invest 480 million PLN this year. These investments are going to be allocated for opening 50 new shops, including three hypermarkets and several shops in housing estates. Tesco is also planning to renovate existing selling points. The British chain also wants to develop extensively the section with healthy products and increase the sale of vegetables by reducing prices by 20 percent. The Tesco brand is also going to open two energy-saving shops that, owing to modern solutions, significantly limit their emission of carbon dioxide to the atmosphere. At present, Tesco Poland is an owner of 303 shops and 23 petrol stations, serving 10 million customers a week on average.

Considering business activity of the Metro Group (that owns large selling area chain stores that operate in Poland) we can state that its income increased by over 25 percent up to 16.4 billion PLN. The chain expanded by 11 shops (up to 118),

which was associated with the investments at the level of 90 million Euro. Besides, capital expenditures on the so-called rebranding and modernising several Makro outlets have been made. The highest growth dynamics has been achieved by Real, the turnover of which increased by 52.6 percent up to 5.2 billion PLN. However, such a good result was made by the takeover of 19 shops of the French Chain Geant. In total, the income of Metro AG increased last year by 10.4 percent up to 64.4 billion Euro. Foreign sale of the group grew by 13.6 percent (by 6 percent in the strategic German market). It is symptomatic that even 60 percent of the company turnover is generated outside the native market. It indicates the main directions in the investments activities of the group. Metro AG Management also announced that they considered the sale of a part of shares in Media Saturn Holding on the Stock Exchange in order to obtain capital for future investments.

Considering the investments covered by the domestic trading organisations, we have to remember that a lot of them operate in the franchising system. This form of sale is very popular both in Poland and in other European countries. In relation to this, companies of this type are engaged in investing in their businesses. Entrepreneurs who entered franchising chains last year invested 1.15 billion PLN in their companies, which stands for the increase in expenses of almost 40 percent in comparison with 2006 (Rzeczpospolita, 2008). Even higher, that is 44 percent, dynamics can be observed in the growth of their turnover. Companies that develop through franchising and partnership systems generated over 72 billion PLN, which amounts to almost 7 percent of the Gross National Product. According to data obtained from the Profit System, 19 thousand franchisees run 22.7 thousand service units within 440 chains. On the other hand, in 58 agency chains 14 thousand companies operate and they own over 17 thousand points. The number of new systems increased in a year by 21.5 percent. Franchising has been used in trading for many years. As the company called Academy of Development of Chain Systems informs, at present around 80 chains are functioning in this business line and 1.2 thousand of new units joined in 2007. The group of Musketeers runs Intermarche supermarkets and building shops Bricomarche in the franchising system. They have 170 outlets and their turnover for the last year amounted to 2.5 billion PLN. This year they are planning to open next 45 units in franchising system.

Summing up our considerations on investments in the sphere of trade, it has to be reported that the investments in question directly result from occupying, by trading companies, significant places in rankings of the largest companies that operate in Poland. Occupying top positions in the ranking worked out by Rzeczpospolita for the year of 2007 can serve an example here (see Table 4).

Table 4

**Most dynamic trade companies according to the ranking by Rzeczpospolita
“List of 500 enterprises” (at the end of 2007)**

Position on the list	Company name	Income from sale in PLN million	Change of income in %
35	Eurocash SA GK, Poznan	4,729.5	46.1
22	Carrefour Poland, Warsaw	7,300.0	38.3
127	Polomarket Group, Pakosc	1,922.0	36.5
48	Media-Saturn Holding Poland PLC, Warsaw	3,800.0	35.9
12	Jeronimo Martins Distribution Public Company, Kostrzyn	9,000.0	35.5
29	Real PLC Warsaw	5,200.0	33.6
39	ZKiP Lewiatan 94 Holding Public Company, Wloclawek	4,466.0	27.6
168	Żabka Poland Public Company SA, Poznan	1,604.5	21.9
5	Metro Group in Poland, Warsaw	16,397.0	20.6
37	Emperia Holding Public Company GK, Lublin	4,596.5	14.9
91	Musketeers Group (Intermarche and Bricomarche), Poznan	2,537.0	13.8
34	Auchan Poland, Warsaw	4,800.0	11.6
19	Tesco Poland PLC, Cracow	7,900.0	8.9
17	Makro Cash and Carry Poland Public Company, Warsaw	8,051.8	6.8
117	E. Leclerc Group, Warsaw	2,039.0	6.5

Source: Rzeczpospolita (2008).

Analysing the Table above, we can notice that fifteen retail companies that operate in Poland are found among five hundred companies that are run most dynamically. It is also symptomatic that apart from foreign large selling area chain stores, there are domestic entities on the list as well.

Summing up the present considerations we can state that:

- foreign commercial entities are active participants in the Polish market,
- they engage in the Polish market and bear large investment expenditures,
- the investments in question increase foreign commercial entities’ attractiveness and in this way they make similar competitors work in a similar way (both in other large selling area chain stores as well as domestic entities).

3. Influence of foreign investments on behaviour of commercial entities

3.1. Behaviour of large selling area chain stores

The presence of foreign chain stores in the Polish market poses new challenges to Polish producers of consumer goods and commercial enterprises and it also challenges the policy of the State towards trade. Functioning of chains has been discussed for many years. Excitement is caused by the opening hours of hypermarkets, attitudes towards employees (we mainly mean here a low level of salaries and maltreatment of employees), and attitudes towards suppliers who, according to general opinion, are treated by the chains as objects*.

French, British and German trade chains manifest the highest activity in winning new markets**. The largest companies and chains of retail trade operating in Poland include the following:

1. Metro Group that manages companies including Real, Praktiker, Media Markt and Macro C&C and sells grocery products and industrial goods (including radio and television equipment and household appliances). It has to be emphasised that the Real chain took over the Geant chain (managed by the Casino Group before) in 2006.

Table 5 shows that the discussed group is, in fact, an enterprise that functions on the international scale and that it has large economic potential. Moreover, the group manages a variety of commercial entities (universal and, specialist shops including housing and garden, radio and television equipment and household appliances).

Table 5

Data on the METRO Group chain for the years 2005 and 2006

Particulars	2006	2005
METRO Group turnover in the world	59.9 billion €	55.7 billion €
METRO Group turnover in Poland	3.5 billion €	3.04 billion €
METRO Group foreign turnover generated outside German territory	55.9%	53.4%
Employment in the world	263,794	246,875
Employment in Poland	25,200	18,600
Number of outlets in the world	2,378	2,171
Number of outlets in Poland	107	83

* Opinions related to the phenomena mentioned are often described and discussed in press and they frequently become an element of political campaigns as well.

** Ahold – is present in 23 countries, realising 82% of sale abroad, Tengelmann – is present in 13 countries, realising 49% of sale abroad, Carrefour – is present in 32 countries, realising 48% of sale abroad; Metro – is present in 27 countries, realising 44% of sale abroad (<http://www.hipermarkety.republika.pl>).

Table 5 continued

including:		
Makro	25	22
Real	49	30
Media Markt	29	28
Saturn	4	3
Total selling area in the world	11,924,000 m ²	10,518,000 m ²
Number of countries in which METRO Group operates	30	30

2. Carrefour Poland that manages Carrefour, Champion and Globi chains selling grocery and industrial goods is another player in the Polish market. The first hypermarket in Poland was opened in 1997 in Łódź. The analysed chain is an active player in the Polish market and similarly to the METRO group is engaged in increasing its shares in the market by means of takeovers. It has to be added that in 2006 the Office of Competition and Consumer Protection declared consent to take over the Ahold Poland company by Carrefour group. Carrefour took over 183 Albert hypermarkets and 15 Hypernova mini-hypermarkets and also 4 petrol stations on condition that until the end of 2008 it would give up all the rights, including property rights, perpetual usufruct and hire of the following shops: Champion in Grodzisk Wielkopolski, Albert in Jaworzno, Hypernova in Pabianice, Albert and Carrefour in Chrzanów, Champion in Sochaczew, Albert in Konstancin Łódzki and Hypernova and Albert in Zamość and would sell them to independent investors. The above aims at preventing concentration in order to limit significantly the competition on local markets. In practice, such measures mean protection of traditional trade by the State. Owing to this transaction, Carrefour in Poland manages almost 330 shops. Transaction is a result of an agreement concluded between Carrefour and Ahold in December 2006.
3. Auchan, a group that operates on the international scale and that is the owner of over 360 hypermarkets and 635 supermarkets is an important chain in the Polish market. According to the ranking of "Planet Retail" for the year of 2004, the Auchan group was classified at the 12th position on the world list of large distributors. Auchan occupies the 5th position in the European market. Since its establishment in 1961 in France, Auchan has been operating and developing in 11 countries in the world. Auchan Shopping Centres are located in France, Italy, Spain, Portugal, Poland, Hungary, Russia, Luxembourg, China, Taiwan and Morocco. Auchan is an independent group that is not quoted on the stock-exchange. The Mulliez family and, within Employees' Shares, the workers of the company are the owners of the Auchan Group.

4. Tesco Poland is another chain operating in Poland. Similarly to its competitors, it has been working in international markets and it manages Tesco and Savia chains that sell groceries and industrial products. 48 shops in the whole country operate under the Tesco brand. The British company employs around 17,000 workers in Poland, and around 237,000 in Great Britain (recruitment of employees to work in Great Britain is also arranged in Poland). In 2006 Tesco took over a discount chain of Leader Price shops that belonged to Cassino Group.

Competition struggle that results in numerous takeovers has been strongly intensified within the group of hypermarkets that operate in Poland. Polish commercial market starts to consolidate. 39 mergers and takeovers in retail and wholesale trade of the value of 1.15 billion dollars took place in Poland in 2006. The largest takeovers included the one of 15 Hypernova hypermarkets and 183 Albert supermarkets from Ahold Poland by Carrefour. Metro Group that owns, among others, Real hypermarkets, purchased 19 Geant hypermarkets and seven locations aimed at construction of this type of buildings. The Geant chain sold 142 Leader Price discount shops to Tesco chains (Bednarek, 2007).

The share of new channels of distribution, i.e. hypermarkets, supermarkets and discount shops, in trade increased from 10% in 1995 to 59% in 2006. Large selling area chain stores started their business activity in Poland in the second half of the nineties. At the beginning, big cities were their main target and at present smaller cities are becoming attractive for expansion. In Poland, 136 large selling area shopping centres operate, mostly in suburban areas. They have at least 10 thousands square metres each with the total area of 2.9 million square metres.

It has to be added that probably in future, an American chain Wal-Mart will start its business activity in the Polish market. Entering the Polish market will take place through absorption of the Polish part of the French chain of Auchan. Wal-Mart is a world tycoon in the FMCG market. It possesses 6,600 agencies in 16 countries of the world and it employs 1.8 million workers. Wal-Mart income in 2006 amounted to 312.4 billion USD. Entering Poland by Wal-Mart will certainly intensify competition in the group of hypermarkets and it will be a stimulus for the other trade entities. The sale of products at relatively low prices is the main concept of the discussed chain. Such sale takes place through the search of cheap suppliers (so we can say that purchase marketing plays an important role here), moreover, Wal-Mart look for costs reduction in human resources. It is worth stating that on average, the prices of Wal-Mart are 15% lower when compared with its competitors*.

It has to be added that large selling area companies in Poland are included in the group of the largest five hundred enterprises that are most important in the market (Bilińska-Reformat, 2006).

* More on the Wal-Mart chain in: Rzeczpospolita (2006).

The table below presents the position of large selling areas in the ranking of top five hundred largest companies that operate in Poland.

Table 6

**Position of large selling area chain stores on “Top 500...”
of the largest companies that operate in Poland**

2006	2005	Name of the company	Income from sale (in thousands PLN)	Change of income (in percent)	Income from the whole of activities (in thousands PLN)	Gross income (in thousand PLN)	Net income (in thousand PLN)	Investment expenditure (in thousand PLN)	Average employment (permanent employment)
6	6	Metro Group in Poland, Warsaw	13,600,000	16.2	13,600,000	No data	No data	No data	25,200
23	23	Tesco Poland PLC, Cracow	6,800,000	28.3	6,800,000	No data	No data	No data	25,000
31	30	Carrefour Poland, Warsaw	5,280,000	12.3	5,280,000	No data	No data	No data	18,000
39	36	Auchan Poland, Warsaw	4,300,000	8.4	4,300,000	No data	No data	No data	No data

Source: Rzeczpospolita (2008).

The table presented above shows that all large selling area chain stores that operate in Poland are on the list. They all reported some increase in income in comparison with the previous year. The largest increase in income was reported by Tesco (by 28.3%), the second place is occupied by Metro Group (an increase of income by 16.2%), and the next position is occupied by Carrefour (an increase in income by 12.3%). The lowest increase in income (in the group of hypermarkets) was recorded by the French hypermarket Auchan. Therefore, we may assume that the described enterprises report some increase in sale in the Polish market, which makes an important reason for making next investments.

The dynamics of growth of large selling area chain stores is an issue closely related to their investments. Table 7 has been prepared on the basis of statistical data. The table presents the dynamics of growth in the number of selling units of the area over 2,500 square metres between the years 2004-2005. Analysing Table 7 we can state that the number of large selling area chain stores in Poland was increasing all the time. It ought to be mentioned that the costs of preparing of 1 m² of the so-called hypermarket, amounts to around 2-2.5 thousand Euro and the costs of preparing a shopping centre with its large selling area amount to around 100 million Euro.

It ought to be stressed that large selling area chain stores are located in the eastern part of Poland. Such stores are more and more often located in smaller cities, which proves realisation of the market development strategy (selective expansion and insular strategy) by the chains.

Table 7

**Dynamics of growth in the number of selling points
of the area of over 2,500 m² between the years 2004-2006**

Year	2004	2005	2006
Number			
Total	338	374	416
Increase in the number of units	–	36	42
Increase in the number of selling points	–	10.6%	11.2%

Source: Based on: GUS (2004, 2005, 2006).

Summing up the above analyses we can state that:

- foreign large selling area chain stores present very important economic potential of our country,
- the stores bear significant investment costs in Poland,
- the stores generate income and (contrary to general opinions about destroying labour market) are important employers (Bilińska-Reformat, 2007)*,
- the amount of invested capital in Poland together with a large number of competitors make foreign large selling area chain stores create marketing strategies that allow for building constant competitive predominance,
- business activities of foreign chain stores significantly increase competition in retail sale sector, which, in practice, brings about pro-customer actions of the entities of this sector.

3.2. Behaviours of domestic selling chain stores

We can observe significant changes in behaviours of domestic chain stores in Poland. They predominantly result from evolution of conditions of the surroundings the manifestations of which include: intensification of foreign competition, more and more demanding consumers and diversified and complex relationships between suppliers and commercial companies. Domestic selling chains react to these conditions and change their structures and realise their development strategies while searching for appropriate partners for cooperation. Their activities mainly aim at taking initiatives related to organisational and legal integration, creating purchase groups, chain stores as well as franchising and agency networks.

* On economic potential of chains in (Bilińska-Reformat, 2007).

Penetration of the processes of integration and concentration brings about general arrangement, better transparency of the structures of entities and emergence of leaders, i.e. operators of large selling chains in the field of domestic trade. Apart from extending the concentration and transformation of domestic commercial enterprises to higher forms of integration, significant progress in development of shopping centres (supermarkets, self-service department stores and super-shops) is being observed.

Serious competition in the sphere of trade and treating foreign large selling area chain stores by domestic companies as a model result in some increase in competitiveness of domestic retail and wholesale companies. Besides, we can observe growing knowledge of the tradesmen about possible forms of integration of companies and experience of acting according to the principles of integration that allows the entities to enter another higher stage of the integration development.

Therefore, a majority of development undertakings made by domestic commercial organisations is a result of integration processes. First of all, such undertakings take a form of associations of retailers, purchasing groups, franchising and partnership chains.

Analysing the ranking worked out in 2007 by the editorial staff of a specialist magazine "Retailing today", it is possible to conclude that within the group of 25 integrated selling area chain stores that are the largest in relation to income from sale in Poland, 8 unions (associations) of retailers, i.e. Rabat Pomorze (Netwirk 34), IGA that cooperates with Mc Lane Poland, F.J. Marketing Concept, Euro Shop, Sklep dla Ciebie, Nasze Sklepy Siec Detalistów, Top Market Warszawska Grupa Supermarketów and Rabat Detal can be found. They concentrate 2,230 grocery shops of the total selling area of 319 thousand m². At the same time, several associations of a local range of activity (i.e. Chłopskie Jadło, Topaz) and a regional range (i.e. Razem Stowarzyszenie Kupców i Przedsiębiorców Polskich, Nasze Sklepy Avita) appeared (Table 8).

Table 8

Important unions (associations) of retailers in Poland in 2007

Nationwide	Regional and operating outside the region as well	Local
1. Iga McLane Poland	1. Gryf Stowarzyszenie Kupców Kaszubsko-Pomorskich (Gryf Association of Kaszuby and Pomorze Tradesmen)	1. Bonus
2. Chain of Grocers Association „Społem” KZRS	2. Nasze Sklepy Avita (Our Shops Avita)	2. Chłopskie Jadło
3. Leclerc E.	3. Rabat Detal	3. Euro Sklep – Ertom Trade
4. Żelazny Chain of Stores	4. Rabat Pomorze – Sieć 34	4. Magnet Sieć Sklepów (Magnet Chain Stores)

Table 8 continued

	5. Rawa Polska Sieć Handlowa (Rawa Polish Chain Stores)	5. Grosik Market
	6. Razem Stowarzyszenie Kupców i Przedsiębiorców Polskich (Razem Association of Polish Tradesmen and Entrepreneurs)	6. Market Punkt
	7. Rydz Chain Stores	7. Mini Europa
	8. F.J. Marketing Koncept	8. Passa
		9. Robtom
		10. Rondo Commercial company
		11. Sklep dla Ciebie Stowarzyszenie Kupców Polskich (Association of Polish Tradesmen)
		12. Szóstka
		13. Takpol
		14. Topaz
		15. Va Bank Commercial Agency
		16. Viki Sklep dla Ciebie
		17. Vitam Polska
		18. Top market – Warszawska Grupa Supermarketów (Warsaw Group of Supermarkets)
		19. Market
		20. Zatoka

Source: Based on: Detal Dzisiaj (2007).

Analysing market behaviours of entities that form important associations of retailers, we can see that among some of the associations, actions aiming at increasing the number of shops (for example IGA of the nation-wide range increased the number of shops from 210 to 308, Rabat Pomorze reported an increase in chain stores from 1,000 to 1,085 and Rabat Detal – from 200 to 237 shops) are observed. In some cases, these behaviours aim, in turn, at sorting out the space structure of the chain while limiting its territorial range of activity (for example Warsaw Group of Supermarkets Top, Market, Zatoka). At the same time, a significant increase in chain resources of some associations was reported.

Progress in integration within the sphere of trade started the process of joining of purchasing groups with integrated retail chains that function within franchising. Consolidation of the mentioned forms of integration took the form of capital integration. Special attention has to be paid to consolidation initiatives of Grocers' Association "Społem" and the Berti chain. Their market behaviours are based on joining scattered and inefficient selling points into larger units in various local and regional markets. They concentrate several selling points.

Development of franchising and agency chains is particularly interesting for domestic selling organisations (see Table 9).

Table 9

List of franchising and agency chains in Poland (the 29th of February 2008)

Name of chain	Operator	Number of own and franchising shops
ABC	Eurocash	2,450
Lewiatan	ZKP Lewiatan'94 Holding	1,990
Żabka	Żabka Poland	1,900
Sieć 34	Rabat Pomorze	1,200
PSH Nasz Sklep (Our Shop)	PSH Nasz Sklep (Our Shop)	800
Znajomy Sklep	KZRSS Społem	623
Groszek	Detal Koncept (Emperia Holding)	580
SH Delikatesy Centrum	Eurocash	300
Rabat Detal	Rabat Detal	286
EJ Grocery Shops	EJ Marketing Concept	270
Euro Shop	Euro Shop (Emperia Holding)	259
PSH el De	LD Holding (Rabat Pomorze)	250
Eden	Eden Chain Stores	246
Razem	SKI PP Razem	240
Sklep Polski	Szeszycki Wholesale	220
Chata Polska	Chata Polska	210
Nasze Sklepy (Delicatessen chain)	Nasze Sklepy (Delicatessen chain)	193
Carrefour Express/Albert	Carrefour Poland	181
Poziomka Chain of Retail Shops	Retail Sale Shopping Centre	174
Sklep dla Ciebie	SKP Sklep Dla Ciebie	171
Intermarche	ITM Poland	123
SH Sezamek	Czempion	122
PSH Kubuś	PSH Kubuś	102
Primo	Arko	80
Hitpol	Hitpol	78
Przyjazny Sklep	SKP Przyjazny Sklep	74
Ekstra	Extra Sieć Handlowa Association	73
Dobry Sklep	Delta	70
Nasze Sklepy Avita	Nasze Sklepy Avita	67
Mój Sklep	Amax Chain	66
PSH Promyk	PSH Promyk	60
Nasze Sklepy	Sieć Nasze Sklepy Nation-Wide Chain	57
Spar	SPAR Polska	56
Sklepy Po Drodze	Sklepy Po Drodze	55
Euro Polish Chain Stores	Euro Polish Chain Stores	50
Słoneczko	Słoneczko	46

Table 9 continued

Zielony Market	SPS Handel	42
MaxiMix	MaxiMix	40
Piotr i Paweł	Piotr i Paweł	38
Rydz	Rydz Chain Store	35
Jaskółka	Spedycja Wschód (Emperia Holding)	34
Pszczółka	PPH HAS Wieluń	30
Globi Discount Express	RSP (Emperia Holding)	27
Zatoka	Zatoka	25
E. Leclerc	E. Leclerc	18
Meta Market	Kolporter Chain Store	11
Pięć Minut	Carrefour Polska	7
Mini Market	RUCH	4

Sources: Wroczyński (2008).

Analysing market behaviour of entities that function within the largest franchising and agency chains we can see that they more and more often found their marketing strategies on active policy of brand creation and diversification of activity. What is more, slow process of internationalisation in the section of domestic selling chains are reported. Their behaviours are manifestations of uniting the Polish franchising systems with international chains.

Independently of efforts to consolidate large chains such as Emperia, Eurocash or Bomi, local selling chains try to use effectively their opportunities and possibilities of further development. Among the companies that operate on the regional scale, SH Nasz Sklep that belongs to Specjał Group has been developing most dynamically. By means of the method of turnovers, Specjał Group has also been sorting out the market of wholesale distribution and strengthening logistics infrastructure for further development of shops in its chain at the same time. It has to be added that this chain also broke the 2007 year record of opening new selling points and exceeded the result of 200 (see Table 10).

Table 10

**Largest franchising chains in Poland in relation to convenience shops
and the number of new selling points in 2007**

Name of chain	Number of convenience shops	New openings in 2007
ABC	2,450	100
Lewiatan	1,990	140
Żabka	1,900	100
Sieć 34	1,200	108
Nasz Sklep	800	200
Groszek	580	73

Table 10 continued

Delikatesy Centrum	300	58
Rabat Detal	286	8
FJ Sklepy Spożywcze	270	10
Euro Sklep	259	19
Razem	10,035	816

Source: Wroczyński (2008).

As we can see, chains such as Lewiatan (140 openings), Sieć 34 (108), ABC (100) and Delikatesy Centrum (58) also belong to the group of entities the potential of which was increasing in 2007 very dynamically.

Among the chains that operate regionally and that are characterised by constant and stable growth, Rabat Detal (Katowice – 286 shops), FJ (Warszawa – 270), Eden (Siedlce – 246), SKPiP Razem (Lublin – 240), Sklep Polski – (Gniezno – 220), Chata Polska (Poznań – 210 selling points) are distinguished. Among them, only Sklep Polski and Chata Polska have their own logistics centres. The former operate with the cooperation of the Szeszycki wholesale that at the same time is an organiser of a franchising system. The latter has been building a centre of this type in Kostrzyn together with Mar-Olem, a distributor of grocery products.

Summing up, let us notice that, improvement of actions that is accompanied by an increase in investment is a general phenomenon that is observed in behaviours of domestic selling chains within existing forms of integration. It is based on:

- strengthening the image of the group in market,
- tightening cooperation with suppliers,
- rationalising company costs and increasing the efficiency of actions,
- creating firm relations with customers.

These essential elements make domestic selling chains change their former orientations and in the same way the concepts of market/marketing actions. This chains express a specifically defined way of behaviour that aims at searching for new segments of the market in which the chances of development of innovative forms of trade and new specialist types of shops in discovered market niches exist.

4. Tendencies of changes in the Polish trade under the influence of foreign investments – summary

Analysing the changes that take place in the Polish trade, we can notice its deep structural changes. At the beginning, those changes were caused by a specific explosion of entrepreneurship that appeared in Poland together with market economy. In the sphere of trade this boom was manifested by a dynamically growing number

of selling points, and the entrepreneurship of Poles was seen, in a majority of cases, in the form of establishing new selling points. Almost everybody worked in trade regardless of its character. As a consequence is the most scattered structures of trade in Europe. At the same time trade became this sector of economy in which the experiment of complete privatisation and de-concentration of property, development of individual entrepreneurship, local sources of supply in goods or management of local excess of labour force was efficiently realised.

Decline of small independent family companies and consumer cooperative societies that face the development of large retail chains that are managed professionally is the most frequently observed feature and tendency of changes in the field of retail sale. Factors such as access to capital through the stock market and flexibility together with significant dispersion of selling points as well as application of strategic planning together with inefficiency of independent cooperative societies equally contributed to hegemony of multi-sectional enterprises. The range of predominance of retail chains differs in relation to the sector of economy. The highest one is observed in the grocery and mail order sectors where it achieves a high level of concentration. The structure of a majority of retail lines is more and more frequently characterised by a small number of large retail enterprises and numerous small companies. The phenomena that have been described can be defined as concentration that takes place in trade.

The Table 11 shows the largest takeovers that have taken place in Polish trade in recent years. They prove the thesis about consolidation processes that have been taking place in Polish trade.

Table 11

Largest transactions of takeovers in Polish trade in recent years

Purchasing	Taken over	Value in millions (euro)
Carrefour	Ahold	375
Biedronka	Plus	320
–	Lidl	250
Real	Geant	224
Penta	Żabka	160
Tesco	Leader Price	105

Source: Mazurkiewicz (2008).

It is typical that the coming years will be characterised by enormous dynamics of development of new types of selling retail units. The life cycle of individual units of retail sale will undergo shortening and so, if a department store needed around

100 years to reach its phase of maturity, new forms of selling units will reach their maturity in the period of 10 years.

Research carried out by IRWiK in 2006 shows that according to tradesmen, within the next 3-4 years large selling area chain stores are going to be major targets of investments. It is also anticipated the development of those entities in smaller cities (Kłosiewicz-Górecka, 2007).

The shape of selling points in coming years is also going to be significantly influenced by progress in technology. As a result of change in consumer behaviours of customers, multiplying of market offer and conscious choice of a specified distribution policy, the shape of trade in the present understanding is also being transformed. The possibility to reach customers by means of a telephone, the Internet, facsimile, radio and television makes it significantly possible for the producer to resign from intermediation of other agents. The same opportunity is given to the producer by hiring a salesman who, in many cases, is the producer's employee. Establishing a chain of own shops of a company also eliminates the necessity of using agents and allows reaching consumers directly. On the one hand, these actions aim at better satisfaction of consumers' needs and, on the other, reduction of own costs of companies.

There are many causes that show that competition forces innovation of applied organisational forms in trade that are often a mixture of existing forms like, for example, discount department stores*. Describing the processes that take place in the Polish trade we can present a thesis that polarisation of existing organisational forms (it is particularly noticeable in the retail trade) is observed. Apart from large selling area chain stores, small and specialist shops appear next to universal supermarkets. This tendency significantly influenced weakening of the importance of market place trade because development of chain stores (of all kinds) allows customers to do the shopping in much better conditions than in case of market places. Besides, this development contributes to significant reduction of prices of offered goods. In relation to the above, we can also observe changes that take place in behaviours of purchasers who more and more often consider purchase at market places an archaic form of trade. Another problem is related to stricter sanitary regulations (especially after Poland joined the European Union), which limits the sale of fresh grocery products at market places (for example meat and sausages, cheese or bakery goods); these regulations do not ban sale, but they introduce sanitary requirements that are not fulfilled by a majority of market places, which, in effect, leads to discontinuation of sale of these products. These changes are caused by new, constantly growing expectations of consumers that force selling entities to improve constantly and to develop this sphere of trade all the time**.

* More on organisational forms in retail trade in (Davies, Ward, 2002).

** On growth of these demands is written by (Davies, Ward, 2002).

The growth of consumers' expectations forces owners of selling points to invest (for example interior equipment, technical appliances, etc.). Decline in margins in trade is the result of these investments. Shops that were formerly symbols of their owners' affluence now only allow generating incomes that provide standard existence of owners (on condition that its location is good). In other case, income "falls" even faster.

Summing up we can state that under the influence of foreign investments the following tendencies appear in the Polish trade:

1. A constant increase in the importance of retailers in distribution channels is observed*.
2. In food trade, the significance of large selling area companies that form chain stores with common centralised management is growing.
3. In non-food product trade specialists shops are developing dynamically.
4. Various forms of discount retail trade are developing dynamically as well.
5. Internationalisation of large retailers is growing rapidly.
6. The life cycle of various organisational forms of retail sale has been shortened.
7. Apart from tendencies that have been mentioned, we have to stress that the significance of cooperation of trade enterprises with their admission markets (banks, insurance agencies) has been growing (Czubała, 1996).

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* Mass discount merchandisers play more and more important role in contemporary world. More on their categorisation in (Stone, 1995).

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