

NEW VIEWPOINTS ON THE FORMATION OF RETAIL BUSINESS UNITS AND DISTRIBUTION CHANNELS – THE CASE OF THE REPUBLIC OF CROATIA

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Abstract

The grounds for this paper are the disharmonies in a quantitative development of retail capacities (sale area) and the economic results achieved in the overall national economy.

On the basis of available literature, the paper analyzes a retail business unit form (a retail format), its characteristics, and an importance of connection in a distribution channel and in a supply chain. Due to the development of the new logistic tasks of a retail company, the very distribution channels are modified as well, concerning the physical, informational, and financial flows in these channels. However, in addition to a modification in the distribution channel types, the retail business unit forms of the existent, the so-called “stationary” retail, are changed as well.

The paper analyzes the fluctuations in the growth and development of the retail industry and the retailing capacities in the Republic of Croatia in the 1989 – 2014 period. Furthermore, the achieved level of an overall economic development (per capita GDP) is being compared for the year 2013 with regard to the retail capacities (sales areas) in the Republic of Croatia and in other select countries of the European Union. Also, the data on the realized retail sale pursuant to the retail business unit forms and the shares of electronic retail sale in the overall retailing are compared for the select European countries. The analysis deploys the data of the Croatian Bureau of Statistics and *Eurostat*. It has been found that an enlargement of sale areas occurred more rapidly than the level of an overall economic development in the Republic of Croatia and in some other countries, for the retail development in a technical-technological sense has been missing. Thus, the achieved level of electronic retail is more adequate to the level of an overall economic development of a country.

The paper should serve as a foundation for further research and evaluations of the role of retail industry in the functioning of economic systems in certain countries.

Key words: retail business unit form (retail format), distribution channel, supply chain, Republic of Croatia

1. INTRODUCTION

Based on the available literature and statistical sources (Croatian Bureau of Statistics, *Eurostat*, and the data published in other sources), the paper analyzes new trends in the retail business unit formation and distribution channels while pinpointing to

the significance of their new forms. An analysis of the select retail growth and development indices and of the retail development and efficacy in the Republic of Croatia, i.e., its comparison with the select European countries, derives a conclusion on a necessity of the new retail business unit formation and distribution channels in the Republic of Croatia.

The following European countries have been selected for a comparison with the Republic of Croatia (HR): Austria (AT), Finland (FI), Italy (IT), Germany (DE), United Kingdom (UK), Bulgaria (BG), Hungary (HU), Poland (PL) and Rumania (RO).

The paper should contribute to the observation of the main developmental processes in the retail industry in the Republic of Croatia and to the evaluation of its efficacy. Naturally, the paper should merely be a basis for further research and evaluations of the role of retailing in the functioning of economic systems in certain countries.

2. RETAIL BUSINESS UNIT FORM – A RETAIL FORMAT

A topic analysis in this paper are the retail business units, distribution channels, and supply chains within which they operate, for the retail business takes place in them, i.e., through them.

2.1. The Notion of a Retail Business Unit Form

A phenomenal image of a retail business unit based on the applied market strategy variables might be considered as a business unit form. Similar business units could be grouped (Müller & Hagedorn, 2015, p.81), thus designating a “retail business unit form.”

The notions of a “retail business unit form” and the “retail business unit type” may be comprehended as synonyms (cf. Berekoven, 1990, p. 29). Nevertheless, some authors still distinguish these two terms, emphasizing that in business unit form it pertains to a systematization that transcends the limit of a commercial enterprise, being created on the basis of classification and typization, whereas it pertains to the individual business concept systematizations of a separate commercial company in business unit types (cf. Ahlert & Kenning, 2007, p. 111, qtd. lit.).

Business unit forms of a retail company affirm its image acquired by the customers. Naturally, a planned strategy design pertaining to the business unit forms is a significant hypothesis for company’s success (cf. Ahlert & Kenning, *ibid.*). In fact, the retail companies develop certain forms of their business units to gain competitive advantages. Additionally, teleshopping and m-commerce are also taken into account as the business unit forms without a sale area.

The category of retail business units with the equal or similar marketing instruments or their combination may be considered a form, i.e., a retail business unit type. These instruments pertain to the profession, location, sale area size, assortment composition and size, services, customer contact modalities or to the price formation (see Eitner, 2008, p. 48, qtd. lit.). Also, it has been emphasized that most research is based on the retail business units’ form attributes pertaining to the prices, services, consulting, assortment, store layout and accessibility (Bosshammer, 2011, p. 36).

Actually, it is related to a retail mix that performs with its “retail formats” (see Levy & Weitz, 2012, p. 112).

Analyzing the criteria delimiting certain retail business unit forms and the ways of their expression, it has been noted in certain authors that they are controversial and are not unanimously determined.

Namely, in addition to the aforementioned marketing variables, certain authors cite a legal form and financing (affiliate or a company) and the horizontal and vertical cooperation features (enterprises on one side or an affiliation with the groups, cooperatives, etc. on the other side) as the criteria distinguishing the retail business unit forms (cf. Nieschlag, 1972, p. 108; Haller, 2001, p. 34; Turban, 2005).

The aforementioned characteristics of the retail business unit forms in present conditions may be further complemented, especially taking into account a state-of-the-art development of concentration and the possibilities provided by contemporary Informatical technologies. The existent classifications and typizations of the retail business unit forms could also be complemented by these features.

Contemporary classifications and typizations of the retail business units (see Eitner, *ibid.*, p. 49, *qtd. lit.*) primarily start from a location (static or movable), further dividing the statically located retail business unit forms in those having a sale area and those without it. A mail shipment retail, a vending machine retail business, an electronic retail business, etc., may be considered the retail business unit forms without a sale area. On the other hand, the retail business unit forms having a sale area (the so-called “store-based retail”) may be further divided with regard to an emphasis on consumer perks while shopping (e.g., a convenience store, a drive-in store, a kiosk, etc.), with regard to an assortment (e.g., a vocational store, specialized store, a boutique, a hypermarket), with regard to the emphasis on favorable prices (e.g., a discount store, an off-price store, a factory outlet, a second-hand store, and the like), and with regard to other amenities (e.g., a supermarket or a third-world shop). For instance, the retail business unit forms with a movable location are an ambulatory sale, home delivery, etc.

Nonetheless, the retail business unit forms without a sale area (“nonstationary retail”) may be further categorized (see Gittenberger et al., 2013, p. 12). A mail shipment retail may be specialized or the one having a broader assortment. The forms of an electronic (Internet-based) retail may be pure player, bricks and clicks, clicks and sheets, clicks and bricks and sheets, etc. Yet, additionally, teleshopping and m-commerce are also taken into account as the retail business unit forms without a sale area.

When logistically observing the retail business unit formation, essential are the flows, for logistics always pertains to the flows: the material, informational, and value-based ones. In a contemporary logistics consideration (Göpfert, 2006, p. 58), it has been emphasized that logistics is a *contemporary managerial concept for the development, design, management and realization of efficacious and successful object flows (goods, information, money and finances) in the broadly established value-creating systems within a company and in those that transcend the corporate boundaries.*

Therefore, in such a realization of business logistics, essential is the management of a supply chain (SCM), representing an “overall integrated planning and process

conduct within a complete value-creating chain, with an objective to optimize the purchasers' need satisfaction" (Kämpf et al., 2008, p. 2). It pertains to a delivery or a logistic chain. However, it is being observed in a broader perspective, for the approach also contains marketing solutions.

2.2. Formation of Retail Business Units in a Distribution Channel

A distribution channel is comprised of one or more companies or individuals participating in a goods and service flow from a producer to an end user or purchaser (Hill, 2010, p. 93).

Within marketing conditions, a term "marketing channel" may also be deployed, as the links of the chain are interconnected to multiple flow types (Kotler & Keller, 2008, p. 473; Kotler et al., 2006, p. 861), so the following is existent: (a) a physical flow; (b) entitlement flow (proprietary flow); (c) payment flow; (d) information flow and (e) promotion flow.

Thus, the marketing channels, i.e., the distribution channels, imply all those organizations that a product has to go through from production up to consumption (Kotler et al., *ibid.*, p. 858).

As the distribution channel participants may be interconnected while unifying their functions, various forms of the so-called "integrated distribution channels" have also been developed. On the other hand, the nonintegrated channels, in which each participant would perform individually and competitively concerning the others, may be presently considered as the theoretical models only.

The so-called "vertical marketing systems" are created while interconnecting the functions of the individual incumbents within a distribution channel. They have been created as a consequence of competitive and concentrational fluctuations, so certain business systems have been expanded, assuming the functions of other channel participants.

When a product is sold to the purchasers having an unequal status or to those on different markets (possibly in various countries), it is possible to design the so-called "multichannel systems." Namely, a multichannel architecture optimizes coverage, adjustment, and channel control while simultaneously minimizing the cost and conflicts. Therefore, various channels should be formed for the clients of different sizes (Kotler & Keller, *ibid.*, p. 490).

In this sense, the hybrid distribution channels are exceptionally important nowadays, for they represent an opportunity for various innovations, especially for the small fast-growing companies.

The retail companies may develop the so-called "multichannel retail," whereby they also parallelly operationalize an electronic retail, in addition to the forms of retail business units with a static location. A multichannel retail is also related to the forms of a complete electronic (Internet-based) retail or only to the enrichment of certain variables of an existent retail mix within a retail company's system that physically possesses the stores. Nonetheless, should an Internet-based retail be integrated with the stores in a physical sense as well as with a catalog sale, established is the so-called "cross-channel retail" (see Groß et al., 2014, p. 347). Thus, the new combinations of

instruments within a retail mix are being created, i.e., the new, enriched forms of retail business units.

Therefore, one should not be surprised by an alteration in the definition of electronic retailing, for the electronic retail is not merely a “format” any more (Levy & Weitz, 2009, p. 55) but is considered to be a “channel” (Levy & Weitz, 2012, *ibid.*, p. 58):

Internet retailing, also called online retailing, electronic retailing, and e-tailing, is a retail *channel* in which the offering of products and services for sale is communicated to customers over the Internet. A decade ago, retail experts predicted that a new breed of high tech, Web-savvy entrepreneurs would dominate the retail industry.

2.3. Formation of Retail Business Units in a Supply Chain

Nowadays, major corporations expand their analyses of distribution channels—marketing channels—to the analyses of all supply (delivery, logistic) channels while aspiring to manage them. Namely, as emphasized above, supply chain management (SCM) has been developed.

When a retail company domineers a supply chain, it pertains to a “retail supply chain,” in which not only the management of the so-called “downstream flows” (distribution channels) but also the management of the “upstream flows” is expressed. Thus, the significance of the large-sized retail chains that are being expanded internationally lies in the fact that they may also integrate all the preceding levels (producers and market mediators), directing and developing the production itself.

As a supply chain also involves the suppliers and mediators and even the mediators’ clients, established are the so-called “value delivery networks” (cf. Kotler/Wong/Saunders/Armstrong, 2006, pp. 857, 859). Consequently, a demand chain management is most important in the supply chain management, while establishing the so-called “value networks.”

There is a multiplicity of communicational, sale, and logistic channels within the functioning of the retail business unit’s forms in a supply chain.

On the occasion of communication channels’ integration, one speaks about the so-called “omnichannel retail,” i.e., about an evolution of the multichannel into an omnichannel retail. Specifically, a complete channel integration is defined as an “omnichannel,” through which the purchasers may buy any product anywhere while being simultaneously involved in all the channels. Anyway, recognizability of a retailer brand is vital for the “omnicustomers.” A major role herein is played by cellphones (e.g., smartphones, see Segetlija & Dujak, 2013, pp. 135f.). For the provision of an expanded channel selection, the retailers utilize powerful databases and robust informational technologies (see Goworek & McGoldrick, 2015, p. 283).

Thus, the patrons may be informed on the goods in a stationary store as well as via Internet, printed catalogs, television broadcasts, and specialized sale exhibitions, whereby they may purchase the merchandise locally or dispatch their orders online, via telephone, or via fax. In addition to the purchase websites, the

usual retail formats have the cellphone-adjusted webpages (for purchasers' purveyance via smartphones or tablets).

In the stationary retail business units, accustomed is cashless payment via ECs and credit cards; however, other payment systems are being tested and already deployed in the Internet retailing. A merchandise can be delivered to a purchaser's address, to a stationary store, or to another reception place. Cumulatively, the retail companies increasingly integrate various communicational, purchase, and logistic channels to provide the customers with an option selection concerning a sale platform, payment, delivery, return, added services, and the like. In such a way, an interchannel retailing facilitates a planned and coordinated communication with the customers, whereby they are provided with an opportunity to be informed about various sale avenues and an offer while interconnecting and checking this information with other information channels (e.g., via social networks) and passing a final decision on a purchase in due course.

In any case, the individual features of a retail business unit form concerning a corporate individualization (business unit type) should be also analyzed as a created "business model." This individualized expression variously stipulates merchandise and information flows from the customers to the external partners, being concluded at their tangential points. These flows determine a business model flexibility, as well as a turnover structure development and expenditure structure (Merkel & Heymanns, 2003, p. 2).

The business models pertain to an application of modern informational and communicational technologies in an interaction with business partners (cf. Bosilj-Vukšić & Kovačić, 2004, p. 2). Therefore, there is a business model influence on a change in business processes. However, a retail company's competitive advantages are additionally expressed due to the economy of scale (large-size stores, affiliates, and the like), as well as due to a successful process management, i.e., due to a value chain management.

3. THE SIGNIFICANCE OF DISTRIBUTION CHANNELS AND RETAIL FORMATS FOR NATIONAL ECONOMY

Currently, the significance of distribution channels and retail business unit forms for a national economy is especially visible in the development of channel system and integration. E.g., the major vertical marketing systems in the US presently cover 70 to 80% of the consumer-oriented merchandise market (Kotler & Keller, 2008, p. 487).

Equally, the vertical marketing systems are also especially important from the standpoint of a foreign trade exchange, for the opportunities to develop the entirely new retail supply chains and effectuate an alteration in a country's retailing structure are being immediately opened by virtue of an entrance of the large-size retail companies and their business units in that country. Namely, these retail companies select their (domestic and foreign) product and service suppliers.

In the conditions of a strong development of the vertical marketing systems and supply chains, a new retail company competition also emerges, for the so-called

“retail supply chains” launch production in a broader geographic area and may abandon their former suppliers of certain products (cf. Kotler & Keller, 2008, *ibid.*, p. 488).

In such a way, the significance of supply chains for a national economy is actually reflected in the capacities to activate its business entities (irrespective of the fact whether they are the traders or producers or some other service companies) in any market, home and abroad.

The preconditions for the expansion of business activities of the large-size retail supply chains lie in the successful developmental strategies, based on the modern knowledge management, IT management, HR management, and the like. Thus, the especially innovative business structures, i.e., the value-creating chains, are being established.

Consequently, the importance of retailing and its correspondent business unit forms should be observed not only as its GDP share or as its share in the number of employees but also as a stimulator of supply chains in the function of consumption, production, and competition development. Precisely, GDP and the number of the employed in retailing are analyzed for a country (realization on its territory), but a supply chain may be organized so that some of its processes are executed in different countries. Thus, from this perspective, for the evaluation of retail significance one would also necessitate the comparisons with the large-size international retail companies, i.e., with the retail supply chains, and the role of correspondent retail business units in them.

In this sense, this paper aims at an evaluation of its efficacy in the creation of supply chains of economic entities in the geographical area of the Republic of Croatia, in addition to an analysis of the growth and development indices and of the development of retailing in the Republic of Croatia.

4. SELECT INDICATOR ANALYSIS

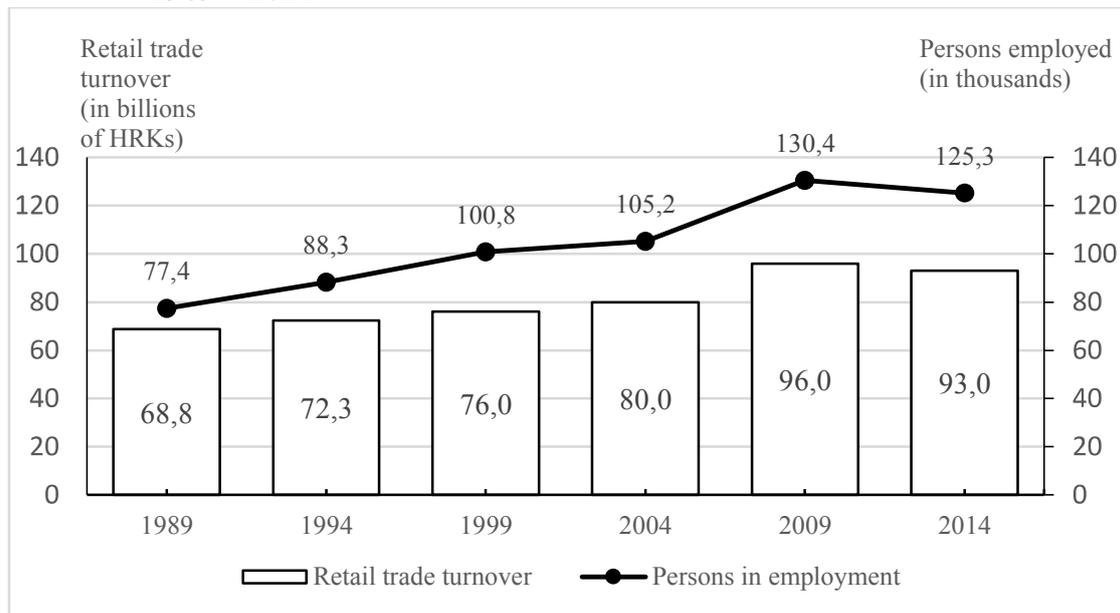
The analysis of growth and development of the retailing industry in the Republic of Croatia establishes the trends (indices) and primarily graphically depicts the data pertaining to the retail turnover, number of employees, number of stores, and the sale area size from 1989 to 2014. The year 1989 was selected as the basic one, concerning the former socioeconomic system within which the former Republic of Croatia was situated at that time.

Based upon the data adduced, one may calculate the sale area productivity (as a realized turnover per a square meter) for the observed 25-year period. The calculation and a comparison of sale area productivity and the productivity of the employed in the retailing sector in the Republic of Croatia with the select European countries is effectuated for the year 2013. Also, the data on the GDP realized (by an overall economy) per a sale area unit, i.e., those pertaining to the Republic of Croatia, are being compared with those for the select European countries for the same year. Comparing these indices, one may evaluate the successfulness of retail companies headquartered in the Republic of Croatia in the deployment of domestic potentials when creating the supply chains.

Eventually, the data on the structure of sale areas per the retail business unit forms in the FMCG sector and in the expanded grocery sector (German: *Lebensmittel*) in the Republic of Croatia and Germany in 2012 are compared, as are the percentages of retailing obtained via mailed shipments and via Internet in the overall retailing for the Republic of Croatia and the select European countries in 2013.

Graph 1 depicts the turnover and the number of the employed in the retailing sector in stores in the Republic of Croatia in the 1989 – 2014 period.

Graph 1. Turnover and number of persons employed in retail stores in Croatia, 1989 – 2014



Annotation: Turnover per price in 2004 (a nominal turnover corrected, with the retail price indices), without kiosks, open-air sale areas, and open-air sale areas at gasoline stations, with no pharmacies for the year 1989.

Sources: (a) *Prodajni kapaciteti u trgovini na malo 1989.*, Dokumentacija 809, Republički zavod za statistiku, Zagreb, 1991.

(b) *Prodajni kapaciteti u trgovini na malo u 2004.*, Statistička izvješća 1293, Državni zavod za statistiku, Zagreb, 2006.

(c) *Prodajni kapaciteti u trgovini na malo u 2009.*, Priopćenje br. 4.1.3. od 28. travnja 2011.

(d) *Prodajni kapaciteti u trgovini na malo u 2014.*, Priopćenje br. 4.1.3. od 28. travnja 2016.

(e) *Mjesečno statističko izvješće*, razni brojevi. Državni zavod za statistiku Republike Hrvatske, Zagreb.

(f) *SLJH*, razna godišta, Državni zavod za statistiku, Zagreb.

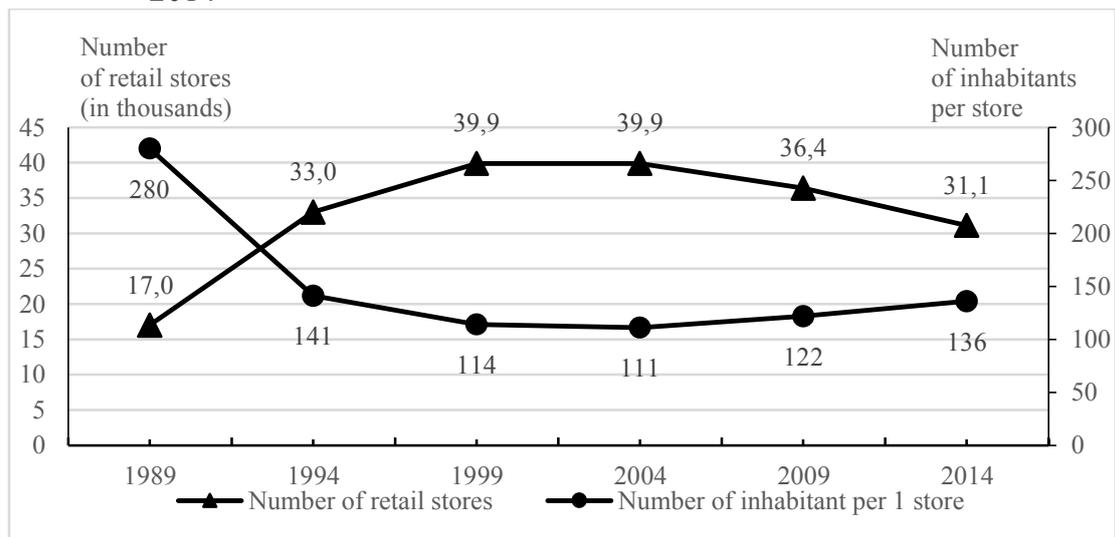
Comparing a turnover fluctuation and the number of employees in retail stores with the overall economic development level (GDP) in a period prior to the onset on an economic recession (1989 – 2009), one may observe that retailing has developed much more rapidly. From the sources adduced under Graph 1 one may notice that the store turnover rose by 39.5%, whereas the number of employees rose by 61.9% in the

1989 – 2009 period. That was much more rapidly than the overall economic development of the Republic of Croatia, for the GDP in the 1990 – 2009 period (according to the 2009 prices) rose by only 11.6% (Turčić & Turčić, 2013, p. 70). According to the same sources, in the conditions of an economic recession, the store turnover was reduced by 4.2%, whereas the number of employees was reduced by 3.9% in the 2009 – 2014 period. GDP in that period was reduced by 5.5% (SLJH 2015., p. 214).

The aforementioned trends are a reflection of a disharmonized socioeconomic development of the Republic of Croatia even prior to a global crisis (after the year 2008). Such trends have been negatively reflected on a further economic development. Namely, due to the more favorable prices in foreign countries, the retail companies in the territory of the Republic of Croatia could exclude the domestic producers (Segetlija, 2011, p. 462).

Graph 2 depicts a fluctuation in the number of stores and the number of inhabitants per a store in Croatia in the 1989 – 2014 period.

Graph 2. Number of stores and number of inhabitants per store in Croatia, 1989 – 2014



Annotation: Number of stores without kiosks, open-air sale areas, and open-air sale areas at gasoline stations, with no pharmacies for the year 1989. The number of stores in 1994 and 1999 was estimated on the basis of various data in statistical annals and lists kept with the Croatian Chamber of Trades and Crafts, Zagreb, and individual regional chambers of trades and crafts.

Sources: (a) *Prodajni kapaciteti u trgovini na malo 1989.*, Dokumentacija 809, Republički zavod za statistiku, Zagreb, 1991.

(b) *Prodajni kapaciteti u trgovini na malo u 2004.*, Statistička izvješća 1293, Državni zavod za statistiku, Zagreb, 2006.

(c) *Prodajni kapaciteti u trgovini na malo u 2009.*, Priopćenje br. 4.1.3. od 28. travnja 2011.

(d) *Prodajni kapaciteti u trgovini na malo u 2014.*, Priopćenje br. 4.1.3. od 28. travnja 2016.

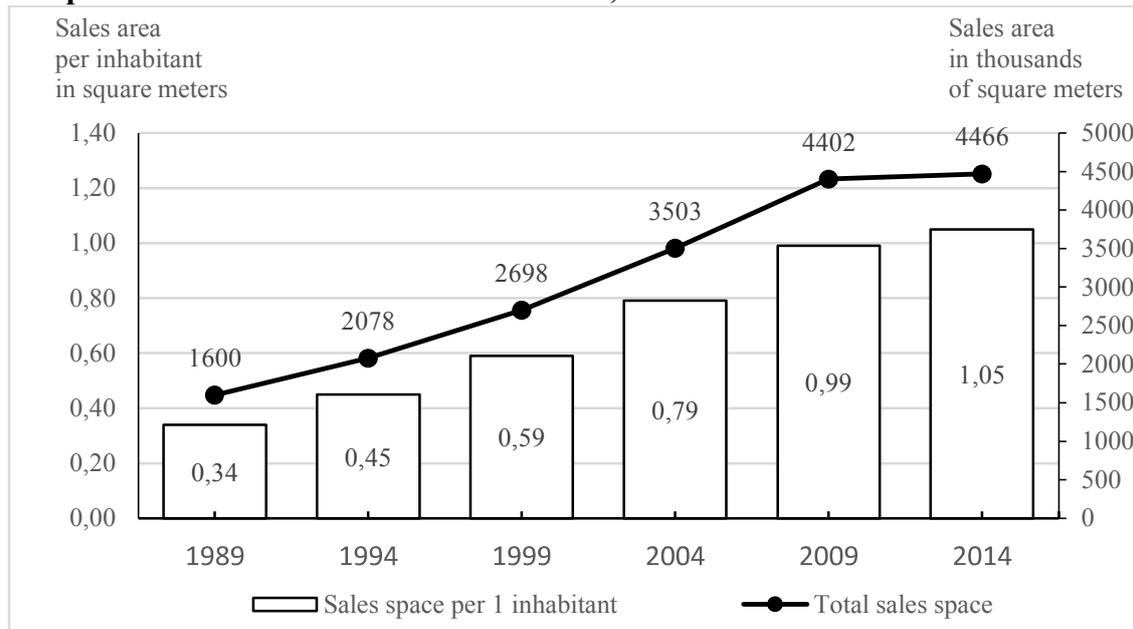
(e) *Mjesečno statističko izvješće, razni brojevi.* Državni zavod za statistiku Republike Hrvatske, Zagreb.

(f) *SLJH*, razna godišta, Državni zavod za statistiku, Zagreb.

It is visible from Graph 2 that the number of inhabitants per store has increased after 2004, with regard to an increase in their size. Such fluctuations were observable in the market-developed countries much earlier (prior to the launch of the concentration processes).

As the obtained level of retail development is frequently (quantitatively) expressed by a sale area per an inhabitant, Graph 3 depicts the fluctuations in sale areas totally and per an inhabitant in retail stores in Croatia for the 1989 – 2014 period.

Graph 3. Sales area in retail stores in Croatia, 1989 – 2014



Annotation: as in Graph 1.

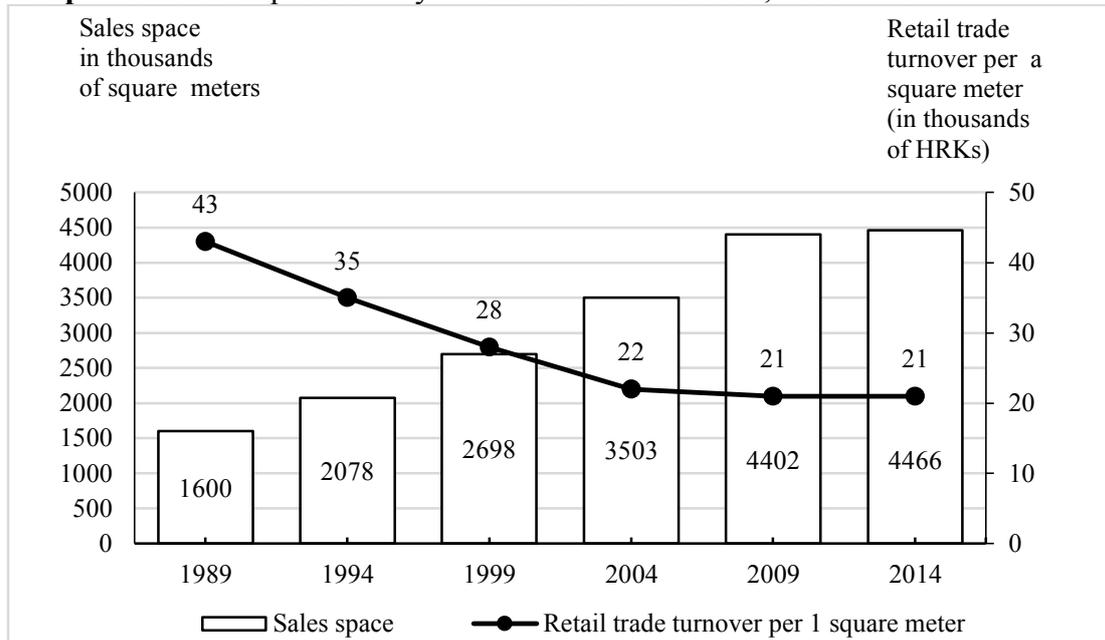
Sources: as in Graph 1.

On the basis of data depicted in Graph 3, one may establish that the store sale area in Croatia was increased by 179.1%, whereas the sale area per inhabitant was increased by 298.8% in the observed period.

Graphs 2 and 3 demonstrate that an average store size in 1994 was reduced when compared to the one in 1989, since many small entrepreneurs ushered into the trade business in the Republic of Croatia; however, an average size amounting to 143.5 m² was reached in 2014 (whereas the average store size in 2004 amounted to 87.8 m²).

Graph 4 depicts the fluctuations in sale area sizes and its productivity in Croatia's stores in the observed period (1989 – 2014). That general tendency of an increase in sale areas and of a decrease in their usability (due to the development of a large-area store type) has been launched in the market-developed countries earlier than in the Republic of Croatia, so such graphic depiction models have been known for quite a while (see Oehme, 1983, pp. 63, 65; *Einzelhandel für massiven Strukturwandel – Perspektive 2020*, p. 17; Rumetsch & Roeb, 2014, p. 12; Lademann, 2013, p. 8).

Graph 4. Sale area productivity in retail stores in Croatia, 1989 – 2014

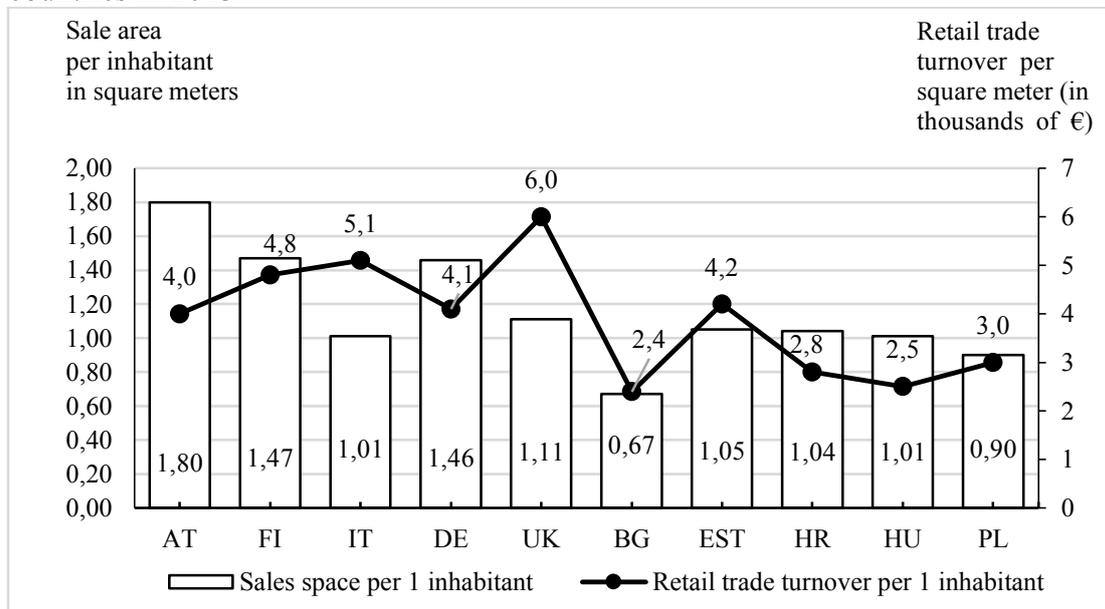


Annotation: as in Graph 1.

Sources: as in Graph 2.

Sale area per inhabitant and sale area productivity for the Republic of Croatia and the select European countries in 2013 is depicted in Graph 5.

Graph 5. Sales area per inhabitant and sale area productivity in the select European countries in 2013



Annotation: *G-47 retail trade, except motor vehicles and motorcycles.

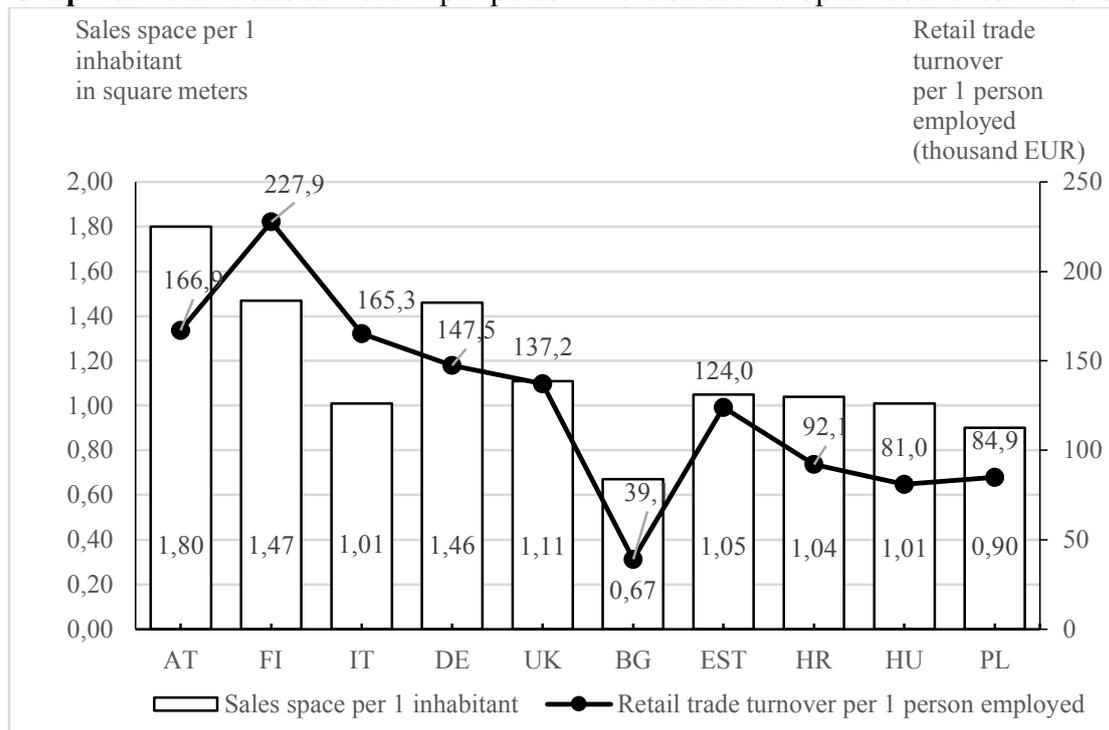
Sources: (a) *Einzelhandel Europa 2014*, GfK Studie zu den Handelsindikatoren 2013 und Prognose für 2014

(b) *Annual Detailed Enterprise Statistics for Trade (NACE Rev. 2G)*, Eurostat, 2016.

The data can be utilized merely orientationally, since the retail effects achieved are not reduced to the equal prices but were calculated according to the official rates of exchange pertaining to the domestic currency with regard to euro. Hereby, the overall retail industry was taken into account, so that out-of-store retailing has increased the sale area productivity (especially the electronic one) in certain countries (United Kingdom, Germany, Estonia, Poland, Austria). In any case, the sale area deployment rate in the Republic of Croatia, Bulgaria, and Hungary is unsatisfactory, with regard to the other countries observed.

Graph 6 depicts a retail employee productivity in the select European countries.

Graph 6. Retail trade turnover* per person in the select European countries in 2013



Annotation: *G-47 retail trade, except motor vehicles and motorcycles.

Sources: as in Graph 5.

Additionally, one may conclude from Graph 6 that a higher labor productivity of retail employees is being realized in the countries with the larger sale areas per inhabitant, for the store types having larger sale areas might be formed, in which the area is specially utilized as a factor of the labor process. Certainly, the out-of-store retail industry increases the productivity indices of persons employed with the retail industry, calculated in this way.

Due to a rapid increase in sale areas in the Republic of Croatia, the contemporary large-area stores have been formed. A rough comparison of the realized turnover structure per the types of retail business units in the Republic of Croatia and in Germany in the FMCG sector (i.e., in the grocery sector) is depicted in Graph 7.

Graph 7. Turnover structure in retail sale by type of retail business units in Croatia and Germany, 2012

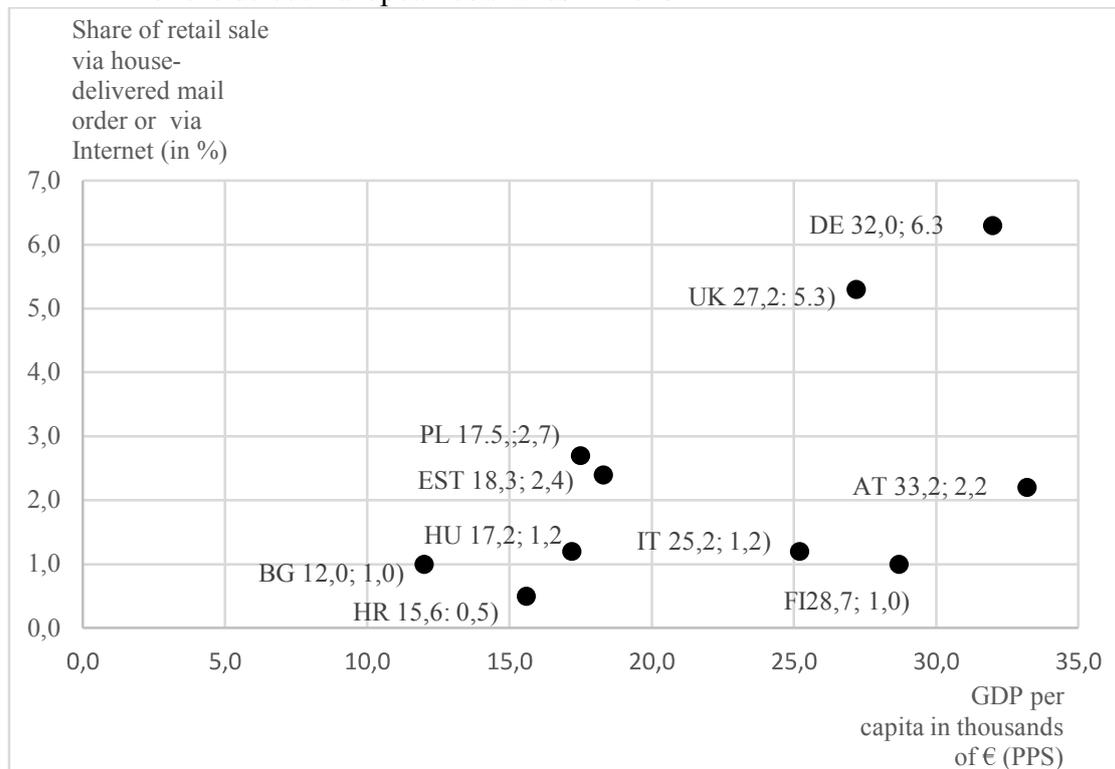
Sources: (a) GfK 2013. Croatian Retail Monitor, March, 2013, qtd. in: *Konzum. Marketing i prodaja na policama 2010 – 2013*.

(b) *Situation des Einzelhandels 2016*, IHK Industrie- und Handelskammer, Chemnitz, 2016.

In spite of the establishment of large-area stores, the structure of realized turnover per retail business unit types in the Republic of Croatia still differs from the structure in the market-developed countries, in which the shares of smaller stores are significantly smaller (see *Hypermärkte versus Supermärkte: welcher Betriebstyp regiert in Europa*, 2014). Also, according to the data in Graph 7, the small stores in the FMCG sector participated up to 28% in the overall turnover realized in 2012 in the Republic of Croatia, whereas the discount store took merely 8%. Nonetheless, some malls were closed recently, and a tendency to reduce the number of small stores has continued. Pursuant to the data from statistic reports, *Sale Capacities in Retailing in 2009* and *Sale Capacities in Retailing in 2014*, the overall sale area in the Republic of Croatia has remained the same, but it has been reduced in ten counties.

In an analysis of the retail development quality, the data on its structure per the existent retail business unit forms should be amended by those on the electronic retail and the ones on the mail-delivered shipment sale, for a significant feature of contemporary forms is the so-called “interchannel retailing.” Thus, Graph 8 depicts the shares of retail sale via house-delivered mail orders and electronic retailing in the overall retail industry with regard to the per capita GDP realized in the select European countries in 2013. It is visible in Graph 8 that the Republic of Croatia has the lowest turnover share of the house-delivered mail orders and of the electronic retailing in the overall retail industry. That is commensurate to the level of its overall economic development.

Graph 8. Share of retail sale via mail order houses or via Internet in the retail trade* of the select European countries in 2013

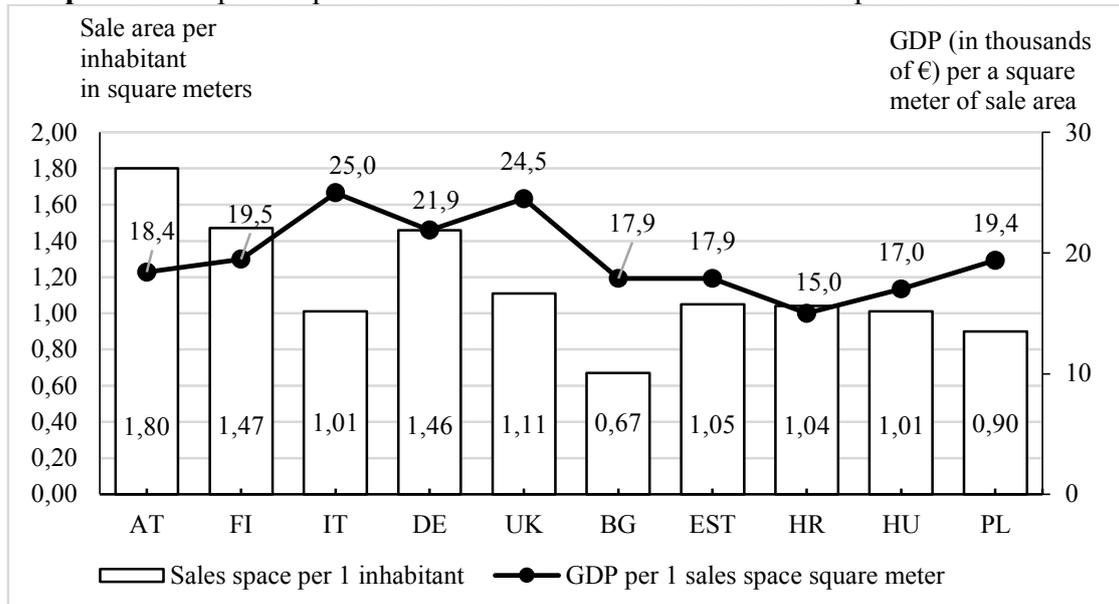


Annotation: *G-47 retail trade, except motor vehicles and motorcycles. GDP in the Purchasing Power Standard (PPS).

Sources: (a) *GDP and Main Components – Current Prices*, Eurostat, 2016.

(b) *Annual Detailed Enterprise Statistics for Trade (NACE Rev. 2G)*, Eurostat, 2016.

A GDP realization per a square meter of sale area in the retail industry demonstrates retailing efficacy in a country with regard to the launch of supply chains while activating the (productive, serviceable, etc.) companies that transact their business in the country's territory (Graph 9). Hereby, essential is the size and the market stamina of an individual retail company and the implementation of the state-of-the-art technology. Among the countries observed, the Republic of Croatia realizes the lowest GDP per a retail area unit. The reasons for that phenomenon are not only the entrance of the foreign retailing supply chains on the Croatian retail market but also a lack of readiness of the domestic production to get involved in the supply chains that end on the territory of the Republic of Croatia (mostly due to its higher prices), what has consequently caused an increased import.

Graph 9. GDP per a square meter of sale area in the select European countries

Annotation: GDP in the Purchasing Power Standard (PPS).

Sources: (a) *GDP and Main Components – Current Prices*, Eurostat, 2016.

(b) *Einzelhandel Europa 2014, GfK Studie zu den Handelsindikatoren 2013 und Prognose für 2014*.

5. CONCLUSIVE THOUGHTS

All the changes in the retail environment are reflected in the development of the new retail business unit types and in a change of their characteristics. These changes may be observed at their best while analyzing the logistic flows: material, informational, and the value-based ones. Therefore, their new forms have been created nowadays, but they are currently not statistically monitored.

In a period preceding the intensification of globalization processes, in the conditions of a relatively sealed national markets, the significance of distributive commerce (and especially of retail within it) for a national economy might be evaluated based upon its share in the number of employees or in the GDP creation. Nonetheless, one should presently observe its importance not only in a completion of an economic process as rationally as possible and a delivery of the merchandise produced to a consumption phase but also in its strength to launch the international (retail) supply chains (that may be terminated in any country's territory) and thus the very production of the finalized products and services.

In the Republic of Croatia as a transitional country, the retail capacities in a quantitative sense (sale areas) have increased more rapidly than the level of an overall economic development as of the year 2009, whereas in the post-2009 recession period certain trade centers, i.e., stores (especially the small ones), were abandoned. With regard to the level of an overall economic development, the retail capacities in the Republic of Croatia are (quantitatively) discrepantly developed, so that a lesser overall economy GDP is being realized per a sale area unit than in other countries observed. Additionally, in a qualitative sense, the retail capacities are not sufficiently developed

(as the Republic of Croatia has the lowest share of retail turnover per house-delivered mail order shipments and via electronic retail in the overall retail turnover).

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